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## Saving the News: Toward a National Journalism Strategy

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# **Saving the News: Toward a National Journalism Strategy**

## **Disciplines**

Communication | Social and Behavioral Sciences

# **SAVING THE NEWS:** TOWARD A NATIONAL JOURNALISM STRATEGY

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By Victor Pickard, Josh Stearns & Craig Aaron



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# CHAPTER 1

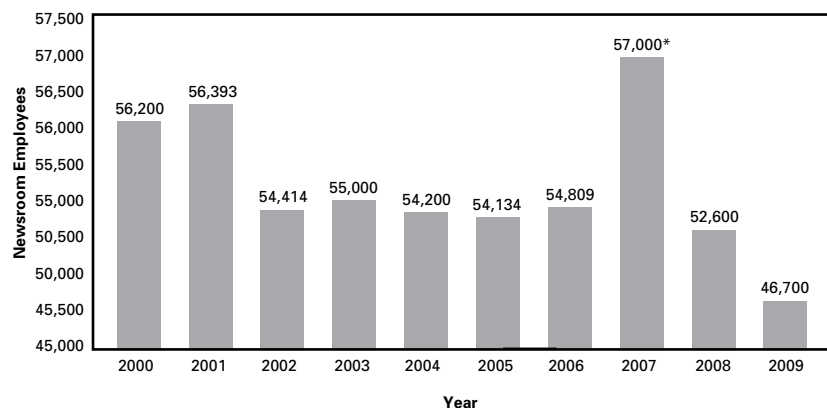
# SAVING THE NEWS

## INTRODUCTION: JOURNALISM IN CRISIS

Journalism is a public good. As a society, we all benefit from quality news and information. But like many public goods, journalism has always been heavily subsidized. The subsidy model that prevailed for the past century — advertising-supported journalism — appears to be dying. If current trends continue, America could soon embark on an unprecedented social experiment by becoming the first advanced democracy to leave wide sectors of society and entire geographic regions without a fully functional, professional press. We are venturing into uncharted territory.

Hardly a day goes by without another obituary for the newspaper industry. Hemorrhaging jobs, subscribers and advertising revenue, news organizations are dismantling foreign, Washington and statehouse bureaus.<sup>1</sup> Nearly 16,000 journalists and newspaper employees lost their jobs last year, and more than 8,000 employees have been sacked in the first four months of 2009.<sup>2</sup> Major dailies already have disappeared or been severely shrunk: The *Rocky Mountain News* shut down after 150 years, the *Seattle Post-Intelligencer* went online-only and let go all but a handful of employees, and smaller papers like the *Ann Arbor News* are closing their doors almost every week. Other major newspaper companies are declaring bankruptcy, including the Tribune Co., owner of the *Los Angeles Times* and the *Chicago Tribune*, and Philadelphia Newspapers LLC, owner of the *Philadelphia Inquirer* and the *Daily News*. The *New York Times* has threatened to shutter the *Boston Globe*, and many other major papers verge on insolvency.<sup>3</sup> It is likely that a major city will soon be without a daily newspaper.<sup>4</sup>

**Figure 1: Newsroom Employment**



\*Online journalists counted in the survey for the first time in 2007.  
Source: American Society of Newspaper Editors

<sup>1</sup> Richard Perez-Pena, "Big News in Washington, but Far Fewer Cover It," *New York Times*, Dec. 18, 2008.

<sup>2</sup> For a running tally of job losses in the newspaper industry, see <http://graphicdesignr.net/papercuts/>. See also "U.S. Newsroom Employment Declines," American Society of News Editors, April 16, 2009, <http://www.asne.org/index.cfm?id=7323>; Jennifer Saba, "Newsroom Employment Drops to Lowest Level Since 1978 — But Online Jobs Up," *Editor & Publisher*, April 16, 2009. The bloodletting has accelerated over the past several years. According to a 2007 report by Challenger, Gray & Christmas, 17,809 media jobs were lost in 2006, an 88 percent rise over the previous year. See Ann Becker, "Old Media, New Media," *Broadcasting & Cable*, Feb. 25, 2007. By late 2008, the industry was in a "tailspin." See David Olinger, "Ad Losses Send Industry into a Tailspin," *Denver Post*, Dec. 5, 2008. By early 2009, the situation had surpassed the most dire predictions made just months earlier. See Lynda V. Mapes, "Seattle P-I's Expected Closure a Sign of the Times," *Seattle Times*, March 10, 2009.

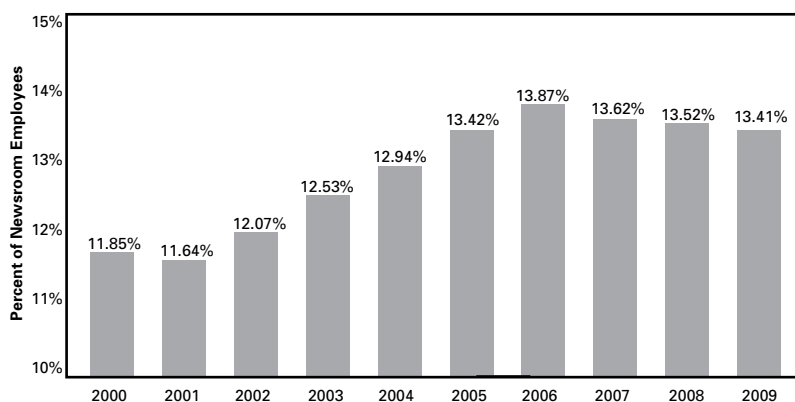
<sup>3</sup> Robert Gavin and Robert Weisman, "Times Co. Threatens to Shut Down Globe," *Boston Globe*, April 3, 2009.

<sup>4</sup> Mark Fitzgerald, "Several Cities Could Have No Daily Paper as Soon as 2010, Credit Rater Says," *Editor & Publisher*, Dec. 3, 2008.

Not just newspapers are failing. Recent evidence suggests both network and local television are facing severe downturns as well, and magazines are downsizing and closing.<sup>5</sup> Internet reporting still defies profitability. Although some ethnic media and some smaller newspapers are weathering the downturn, cutbacks across the board mean fewer reporters on the beat, less investigative journalism, more syndication, and an overall homogenization of the news.<sup>6</sup> This exacerbates a trend in which much of TV journalism has devolved into ambulance-chasing sensationalism, and cable news has elevated shrill commentary over original reporting.

Across the industry, diverse voices are disappearing from the airwaves and broadsheets in unprecedented numbers. The American Society of News Editors' 2009 survey showed that journalism job cuts are hitting people of color particularly hard. Of the nearly 6,000 journalists who lost their jobs in 2008, 854 were people of color, leaving the percentage of minorities in newsrooms at just 13.4 percent.<sup>7</sup> Meanwhile, Sally Lehrman writes in the *Boston Globe*, "More than 42 percent of print newsrooms across the country employ no black, Asian American, Latino, or American Indian journalists at all."<sup>8</sup> While ethnic media in major urban areas like Los Angeles and New York may be doing better, in the near future, many groups in rural areas and smaller cities are at risk of losing the only media outlets that cover the issues facing their communities or that report in their language.<sup>9</sup>

**Figure 2: Minority Journalists**  
(As a Percentage of Total Journalists)



Source: American Society of News Editors

These are all symptoms of the deeper crisis that confronts us: Journalism as an institution is collapsing before our eyes, a crisis that goes beyond the demise of newspapers to strike at the foundations of democratic self-governance. When a major news organization closes, civic engagement suffers.<sup>10</sup> America still needs the public good that is quality journalism: in-depth, investigative stories like Watergate and the Pentagon Papers in the past or the more recent coverage of the AIG bonus fiasco and the neglect of veterans at Walter Reed Hospital,

<sup>5</sup> See the State of the News Media 2009, Pew Project for Excellence in Journalism, <http://www.stateofthenewsmedia.com/2009/index.htm>; A recent report found that nationwide, local television news stations slashed 4.3 percent – or 1,200 – newsroom jobs in 2008. See Radio-Television News Directors Association, "Television News Jobs and Salaries Decline As Amount of News Increases, RTNDA/Hofstra University Survey Shows," April 19, 2009. See also, David Carr, "Portfolio Magazine Shut, a Victim of Recession," *New York Times*, April 27, 2009.

<sup>6</sup> Mandalit del Barco, "Ethnic Outlets Survive in Sinking Media Market," National Public Radio, April 7, 2009, <http://www.npr.org/templates/story/story.php?storyId=102802880>; see also Alberto Vourvoulias, "Interview: Secret Success," *On The Media*, March 13, 2009, <http://www.onthemedialog.org/transcripts/2009/03/13/03>

<sup>7</sup> "U.S. Newsroom Employment Declines," The American Society of News Editors, April 16, 2009.

<sup>8</sup> Sally Lehrman, "The Danger of Losing the Ethnic Media," *Boston Globe*, March 5, 2009.

<sup>9</sup> Terence Chea, "Ethnic Press Stung by Recession, Advertising Drop," *Associated Press*, March 29, 2009.

<sup>10</sup> Sam Schulhofer-Wohl and Miguel Garrido, "Do Newspapers Matter? Evidence from the Closure of The Cincinnati Post," *National Bureau of Economic Research*, NBER Working Paper No. 14817, March 2009, <http://www.nber.org/papers/w14817>



to name just a few examples. It is a truism that without a vibrant press, democracy falters: A society without journalism is a society that invites corruption.<sup>11</sup> The stakes, therefore, could not be higher. Understanding how this crisis happened will help frame our approach toward possible solutions.

### The Perfect Storm

Traditional media, especially newspapers, have been battered by a perfect storm, as the rise of the Internet and the decline of their local advertising monopoly converged with the recent economic downturn.<sup>12</sup> The advertising-supported model of journalism that many assumed to be the natural source of news revenue throughout the 20th century is now collapsing. The numbers are staggering: Ad revenue has been down 23 percent across the industry in the past two years and may plummet by more than 30 percent this year, with even greater declines predicted for 2010.<sup>13</sup> While newspapers still rely on print advertising for 90 percent of their revenue, advertisers pay much less for online ads to reach their target audiences, and classified ads are now available for free on Web sites like craigslist. Although newspaper readership overall has never been higher as more people read news online, online ad revenue makes up just a small percentage of newspaper earnings.<sup>14</sup>

It is important to emphasize that many of the media industry's wounds are self-inflicted, the result of bad business decisions and failed strategy. Instead of investing the mega-profits they were making just a few years ago into future news operations, publicly traded media conglomerates like Tribune, Gannett and McClatchy ran amok in their buying sprees, sacrificing journalism for ever-higher quarterly returns to satisfy Wall Street's increasing profit expectations. Now these companies are so deeply in debt and overleveraged, they're on the verge of shutting down or being pawned off to private equity firms that will break them down and sell them for scrap.

The industry's "dirty secret" is that newspaper properties are still largely profitable.<sup>15</sup> McClatchy's newspapers saw a 21 percent profit margin in 2008. Yet the company still cut its work force by nearly a third in the past year as it struggled to finance the \$2 billion it owes from acquiring Knight Ridder in 2006.<sup>16</sup> Gannett's newspaper holdings enjoyed an 18 percent profit margin last year, with some papers earning as much as 42.5 percent.<sup>17</sup> Nevertheless, Gannett slashed 3,000 jobs and forced employees to take an unpaid week-long furlough while the company's top executives received six-figure bonuses.<sup>18</sup> Even now, many Tribune papers remain highly profitable, and the company as a whole earned a 5 percent profit margin in its newspaper division for the first three quarters of 2008, before declaring bankruptcy because it could no longer manage its enormous debt.<sup>19</sup>

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<sup>11</sup> Paul Starr, "Goodbye to the Age of Newspapers (Hello to a New Era of Corruption)," *The New Republic*, March 4, 2009. Alicia Adserý, Charles Boix and Mark Payne, "Are You Being Served? Political Accountability and Quality of Government," *Journal of Law, Economics and Organization*, Oxford University Press, vol. 19(2), pages 445-490, October 2003; James Rainey, "Newspaper Cuts Open Door to More Political Trickery," *Los Angeles Times*, March 20, 2009; David Simon, "In Baltimore, No One Left to Press the Police," *Washington Post*, March 1, 2009.

<sup>12</sup> The authors wish to acknowledge and thank their colleague Joseph Torres of Free Press for his contributions to this paper, especially his research on the history and nature of the newspaper crisis.

<sup>13</sup> State of the News Media 2009; "Media Get More Bad News," *MarketWatch*, March 12, 2009; Richard Perez-Pena, "Newspaper Ad Revenue Could Fall as Much as 30 Percent," *New York Times*, April 14, 2009.

<sup>14</sup> State of the News Media 2009.

<sup>15</sup> Greg Mitchell interview on MSNBC, March 8, 2009. Available on the *E & P Pub*, <http://www.eandppub.com/2009/03/ep-editor-on-msnbc-friday-night.html>

<sup>16</sup> Nat Ives, "It's Not Newspapers in Peril; It's Their Owners," *Ad Age*, Feb. 23, 2009. See also, Craig Aaron and Joseph Torres, "Consolidation Won't Save the Media," *The Guardian*, March 26, 2009. <http://www.guardian.co.uk/commentisfree/cifamerica/2009/mar/26/pelosi-media-consolidation>

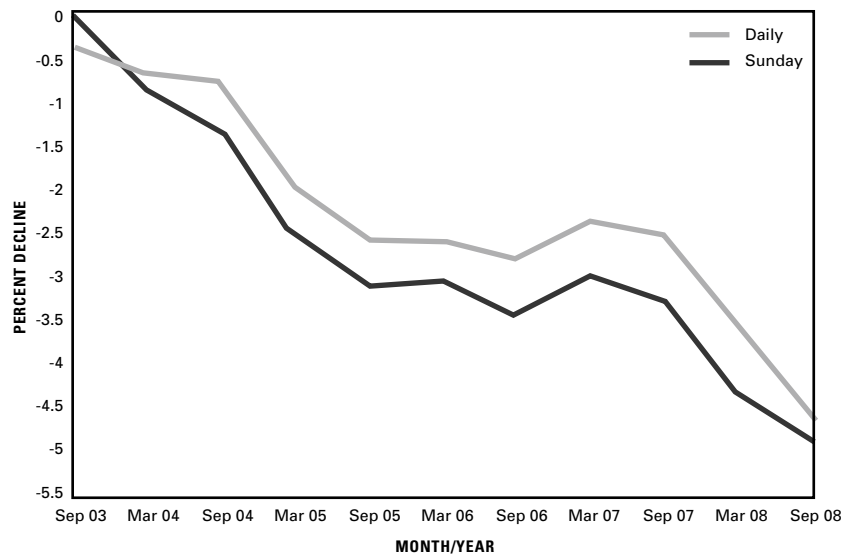
<sup>17</sup> "Documents Reveal Double-Digit Profit Margins at Scores of Papers Now on Verge of Massive Layoffs," *Gannett Blog*, Nov. 28, 2008. <http://gannettblog.blogspot.com/2008/11/documents-reveal-double-digit-profit.html>

<sup>18</sup> Richard Perez-Pena, "Gannett to Cut 10 Percent of Workers as Its Profit Slips," *New York Times* Oct. 28, 2008; Richard Perez-Pena, "Gannett to Furlough Workers for Week," *New York Times*, Jan. 15, 2009; Randy Turner, "Gannett Executives Receive Nearly \$2 Million In Bonuses, Golden Parachute, Amid Layoffs and Foldings," *Huffington Post*, March 18, 2009. [http://www.huffingtonpost.com/randy-turner/gannett-executives-receiv\\_b\\_176435.html](http://www.huffingtonpost.com/randy-turner/gannett-executives-receiv_b_176435.html)

<sup>19</sup> Richard Perez-Pena, "Tribune Company Seeks Bankruptcy Protection," *New York Times*, Dec. 8, 2008.

**Figure 3: Daily and Sunday Newspaper Circulation Declines**

Percent declines in circulation by six-month period



Source: Pew Project for Excellence in Journalism/Deutsche Bank Securities

It is difficult to feel sorry for newspaper owners when much of the media industry's current predicament is the result of greed (as well as a failure of political will among policymakers to enforce media ownership regulations). Moreover, these undue commercial pressures consistently resulted in a degraded product that failed spectacularly to adequately cover life-and-death issues, from the run-up to the Iraq war to the recent economic meltdown.<sup>20</sup> Nevertheless, while blogs are carving out an increasingly important role in shaping and reporting the news, and innovative online journalism ventures are expanding across the nation, the overwhelming majority of reporting, whether online, broadcast or cable, still originates with newspapers. Given this current state of affairs, if we were to stand by and allow these bad financial decisions to run their course, as many have suggested, we face the distinct possibility of losing any semblance of quality journalism — and countless seasoned journalists — for many years to come.

### A Policy Problem

As with the current banking crisis, the media meltdown was aided by idle regulators who looked the other way while big media companies swallowed up local news outlets in a feeding frenzy of mergers and acquisitions. If some of these deals had been prevented or restructured by vigilant regulators, many bankrupt newspapers might still be viable. Bad policy decisions in Washington — influenced by intense lobbying and hefty campaign contributions — undoubtedly made this situation much worse. It will take good policy decisions to reshape the media system and salvage journalism.

But so far, there has been little discussion about the policies needed to foster quality journalism and give communities the news and information they require. And those in the position to make changes or with the most at stake in the outcome, whether policymakers, public interest advocates or journalists themselves, either failed to grasp the structural nature of this crisis or failed to recognize it as a policy problem. Further undercutting chances for broad-based support for imaginative alternatives is a dominant frame that sees the demise of newspapers as a natural progression. According to this view, the newspaper, like the horse and buggy, has outlived its utility. The market has spoken, and new technologies will lead the way. Another school — no less adamant — blames the Internet for all of the industry's woes, as if the Web could be put back in the bottle. And skeptics from across the political spectrum see professional journalism as a flawed system unworthy of

<sup>20</sup> Recent years have witnessed innumerable academic studies documenting how media have provided inadequate coverage of important social issues. For an excellent study of how mainstream media failed to sufficiently cover key foreign and domestic policy issues, see Lance Bennett, Regina Lawrence and Steven Livingston. *When the Press Fails: Political Power and the News Media from Iraq to Katrina*. (Chicago: University of Chicago Press), 2007.

saving. Others rightly believe this crisis offers no easy solutions, especially given current economic conditions. Although it is true that no magic bullet exists to immediately solve the journalism crisis, to resign ourselves to fatalism, given the stakes, is simply not an option. So what is to be done?

Although this crisis calls for immediate action, there are at least four hurdles that we must negotiate in our push toward addressing the journalism crisis. First, many people hold professional journalism today in such low regard that they even welcome its demise. This “let it burn” approach both neglects the fact that journalism is indispensable for any democratic society, and it mistakenly takes mainstream commercial media’s present form as the inevitable product of professional journalism. As the authors of *Taking Stock* noted eight years ago: “Newspapers are increasingly a reflection of what the advertisers tell the newspapers some of us want, which is what the financial markets tell the newspapers they want.”<sup>21</sup> However, different institutional structures could presumably produce better forms of journalism, especially alternatives not solely dependent on advertising or beholden to Wall Street’s quarterly pressures. Now is our opportunity to experiment with new models.

A second barrier to solving the journalism crisis is that many people believe the inexorable power of the Internet naturally led to journalism’s current predicament and, therefore, the Internet will somehow magically replace journalism, either by way of the blogosphere or some other process. Beyond the fact that the Internet is only one of several contributors to the current crisis, this belief also ignores the reality that professional journalism requires an institutional and financial support system that is, at least for now, not provided by the Internet. Much of the blogosphere’s commentary, while greatly enlivening political discourse, is still dependent on professional news organizations. And few bloggers, whether they’re doing original reporting or just critiquing the mainstream media, are running profitable ventures. Moreover, despite many commentators’ complacent assumption that people will just get their news from the Internet, any solution to the crisis that depends on Internet access excludes a significant swath of Americans, some 40 percent of whom don’t have broadband service at home. For example, former *Slate* editor Michael Kinsley argues in the *Washington Post* that the loss of newspapers isn’t a problem because, “More people are spending more time reading news and analysis than ever before. They’re just doing it online.”<sup>22</sup> Such statements assume that everyone — at least, everyone that *matters* — has a computer, has broadband access, and has the digital literacy necessary to sort, evaluate and engage diverse and competing news sources online.

A third related hurdle to solving the crisis is that many commentators, despite abundant evidence of market failure around us, believe the implosion of newspapers is a healthy, albeit messy, side effect of the market’s creative destruction. According to this argument, there will be news when and where there is a market for it. Kinsley, again, subscribes to this view. In the same op-ed, he concludes: “If General Motors goes under, there will still be cars. And if the *New York Times* disappears, there will still be news.”<sup>23</sup> These blasé “do nothing” arguments assume that if we just sit back and let the markets work, the news will continue. This notion neglects both the government’s role to date in shaping the current system, as well as the clear need for government action if a public good — public service journalism — is not delivered by the invisible hand of the market.

Finally, a major hurdle exists in the minds of policymakers, advocates and journalists who simply fail to think of the crisis as a policy issue. This issue is perhaps the most difficult to overcome given that clear and simple policy solutions do not exist. Addressing the crisis will mostly likely require more than a single, easy fix. Policy solutions have been largely left out of the discussion in no small part due to understandable concerns about “regulation.” Yet media regulation has always been present; the federal government has been deeply involved with policies that enable freedom of the press since the dawn of the Republic.<sup>24</sup> Unfortunately, many rules often have benefited private interests over public needs. Furthermore, good public policy toward journalism also has been undercut by otherwise legitimate concerns about government regulating speech. Clearly, we should not tolerate government policies that restrict speech or favor particular speakers. But policies that

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<sup>21</sup> Gilbert Cranberg, Randall Bezanson, John Soloski, *Taking Stock: Journalism and the Publicly Traded Newspaper Company*, (Ames: Iowa State University Press), 2001.

<sup>22</sup> Michael Kinsley, “Life After Newspapers,” *Washington Post*, April 6, 2009.

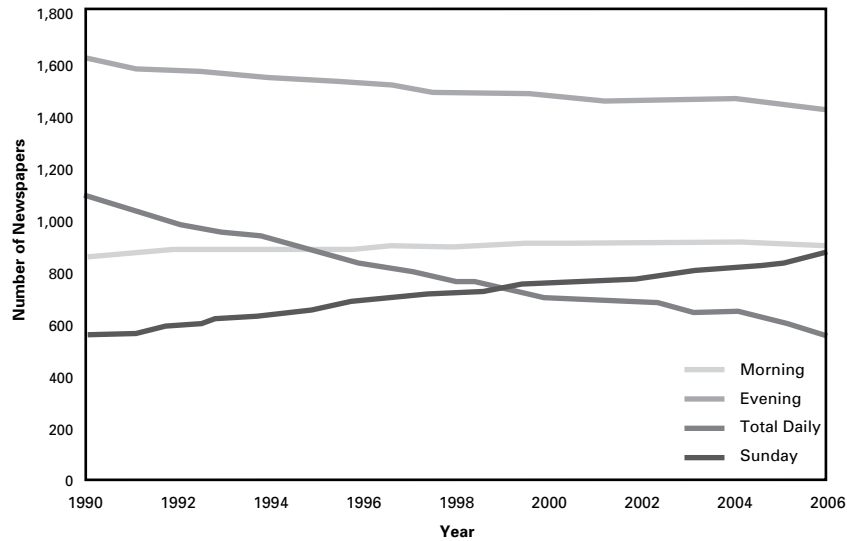
<sup>23</sup> *Ibid.*

<sup>24</sup> See Richard Johns, *Spreading the News: The American Postal System from Franklin to Morse* (Cambridge, Mass.: Harvard University Press), 1995. Another long standing example of government involvement in media is copyright law.

*promote* speech of all kinds should be embraced. In fact, inherent to the First Amendment's guarantee of the freedom of the press is the responsibility of government to promote the widest possible dissemination of diverse viewpoints.

**Figure 4: Number of U.S. Daily Newspapers**

Weekday and Sunday editions, yearly increments, 1990-2007



Source: Editor and Publisher Yearbook data

Given the end of newspapers' local advertising monopoly and the exacerbating effects of media consolidation, it is clear that journalism must now be subsidized by other means. Neither the market nor technology alone will save journalism, but with the right nurturing from both public and private interests, alternative commercial and noncommercial models can flourish. In confronting today's crisis in journalism, we must draw from the wellspring that is the tradition of American innovation. This crisis calls for a period of vigorous experimentation with bold new models. To rescue journalism, now is not the time for piecemeal efforts or incremental reform, but rather structural interventions and systemic change. Government must step in not only to staunch losses, but also to provide the space and resources for investment in long-term solutions. Just as government invests in medical research to heal the ails of the body, we need government to invest in experimentation with news models to heal the democratic ails of the body politic.

Fortunately, there are a number of structural alternatives from which to draw. A wide range of global, historical and contemporary models of the press can offer alternatives to commercial, advertising-supported media institutions. Many of these models share a common feature: public set-asides in the form of subsidies and other sustaining resources. Government subsidies and other state-driven efforts that aim to carve out a public space in U.S. society for a free and independent press have a long and rich history, ranging from postal subsidies to public broadcasting. This tradition is as American as apple pie, and it deserves a healthy booster shot now.

### Time for a National Journalism Strategy

Debates about the public service responsibilities of news typically occur during times of crisis when relationships between the public, the state and the press are re-evaluated. Such moments afford fleeting windows of opportunity, as old institutions come under scrutiny and media debates spread beyond elite circles.<sup>25</sup> These periods often witness a sudden openness toward experimentation. The advertising model of journalism, structurally vulnerable from its beginning, is finally collapsing beneath the weight of its contradictions. Taking stock of viable alternatives, therefore, has become an imperative. We must develop a new system to pay for accurate, credible and verifiable journalism.

<sup>25</sup> For a discussion of these "critical junctures," see Robert W. McChesney, *Communication Revolution*. For an example of a critical juncture in the postwar 1940s that witnessed crises in journalism similar to the ones we are facing today, see Victor Pickard, *Media Democracy Deferred: The Postwar Settlement for U.S. Communications, 1945-49*. Ph.D. dissertation, University of Illinois, 2008.

The genuine national concern over the future of journalism — including community organizing to save local papers before it's too late — has sparked several interesting and promising new ideas and projects.<sup>26</sup> But almost all of these projects are underfunded, under-resourced, and often competing for scarce advertising or foundation dollars. Without collaboration, they are not learning from one another, and even the best ideas may not survive in this uncertain economy. Instead, we need a broader strategy that can help assess best practices and that public and foundation dollars are being invested in projects that will result in the kind of journalism democratic societies require.

The crisis facing journalism is a national issue, and the need for news and information in our democracy is absolutely essential. Therefore, we need a national journalism strategy to coordinate government intervention, a wide variety of experiments, and a system-wide overhaul. To preserve what is still working (and needed) in the current system and dispense with what is systemically flawed, any national journalism strategy must:

- **PROTECT THE FIRST AMENDMENT.** Freedom of speech and freedom of the press are essential to a free society and a functioning democracy. Everyone should have the right to access and impart information and opinion through the media of their choice.
- **PRODUCE QUALITY COVERAGE.** To self-govern in a democratic society, the public needs in-depth reporting on local issues as well as national and international affairs that is accurate, credible, and verifiable. Journalism should include and engage a diversity of voices and viewpoints.
- **PROVIDE ADVERSARIAL PERSPECTIVES.** Reporting should hold the powerful accountable by scrutinizing the actions of government and corporations. Journalism should foster genuine debate about important issues.
- **PROMOTE PUBLIC ACCOUNTABILITY.** Newsrooms should serve the public interest, not private or government aims, and should be treated as a public service, not a commodity. Journalism should be responsive to the needs of diverse and changing communities.
- **PRIORITIZE INNOVATION.** Journalists should utilize new tools and technologies to report and deliver the news. The public needs journalism that crosses traditional boundaries and is accessible to the broadest range of people across platforms.

With these values in mind, and with an eye toward concrete solutions and viable political options, we provide in the following pages a preliminary survey of policy alternatives for journalism. An emphasis is placed on models that aim to generate financial and institutional support for skilled journalism, defined here as systematic newsgathering that seeks to generate information vital to local, regional and national democratic culture. In its ideal form, this kind of journalism aims to provide a forum for diverse voices and viewpoints, to keep a watchful eye trained on those in power, and to cover important social issues.

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<sup>26</sup> See, for example, the Supreme Court decision written by Justice Hugo Black in *Associated Press v. United States*, 326 U.S. 1, 20 (1945).

CHAPTER 2

**NEW IDEAS FOR  
CHALLENGING TIMES**

## EVALUATING THE NEW MODELS

A number of alternative models — recent experiments, long-standing ventures and ideas yet to move beyond the blueprint phase — hold clues for what new press institutions and new forms of journalism may look like. The following analysis provides a brief inventory of models currently in operation or being discussed among concerned commentators. While some observers have been ringing the alarm bells for years, only recently has a consensus emerged about the nature of the crisis in journalism.<sup>27</sup> But while there is consensus that the economic downturn has converged with fundamental technological, cultural and ideological changes that are transforming the media, few agree on what should be done — or even can be done — about it. One conclusion is incontrovertible: To support new forms of reporting and new methods of distribution, we must think outside of current structures and beyond the current system. We cannot fix this problem by simply subsidizing or propping up old business models.

In the following pages, we briefly summarize some of the new ideas and specific policy proposals put forward to address the crisis in journalism, evaluating their likelihood of success, broader societal benefit and political viability. Some of these ideas have been heavily debated, while others remain untested and unexamined. The descriptions are organized according to six main categories: Nonprofit, Low-Profit and Cooperative Models; Community and Municipal Models; Foundation and Endowment Models; Public and Government Models; New Commercial Models; and Public Subsidies and Policy Changes. The main questions we address include: What models hold the most promise in terms of providing democratic journalism? Which are politically viable? What current or innovative policies can assist or hinder these new models?

### Nonprofit, Low-Profit and Cooperative Models

The crisis now facing journalism has its roots in a commercial media model that prioritizes profit imperatives over other concerns. For a long time, many print newspapers produced unmatched profits — well beyond most Fortune 500 companies. But as corporate shareholders demanded higher returns and consistent growth, many newspaper companies took on massive amounts of debt to buy up other media properties. This fixation on the bottom line has adversely affected the quality of American news. In place of expensive investigative journalism and time-intensive beat reporting, newspaper executives have too often opted for cheap celebrity gossip or generic wire stories. Efforts to consistently increase profits have led to massive job cuts as well as the closing of bureaus in state capitals, Washington, D.C., and internationally, leaving a dangerous gap in our national media.

Much of the conversation about new models for journalism has focused on nonprofit or low-profit structures that might allow news organizations to focus on their public mission instead of just their stock prices. The key issue is whether new ownership structures and less pressure from Wall Street might allow media outlets

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<sup>27</sup> A number of noteworthy scholarly works have provided a structural critique of the press and suggested policy prescriptions. These include: C. Edwin Baker, *Media, Markets and Democracy*. New York: Cambridge University Press, 2002; C. Edwin Baker, *Media Concentration and Democracy. Why Ownership Matters*. New York: Cambridge University Press, 2007; Robert Picard, "Money, Media, and the Public Interest," pp. 337-350 in Geneva Overholser and Kathleen Hall Jamieson, eds., *The Press*, Oxford University Press, 2005; James Hamilton, *All the News That's Fit to Sell*, Princeton: Princeton University Press, 2006; Robert W. McChesney, *Communication Revolution: Critical Junctures and the Future of Media*, New York: New Press, 2007; Philip Meyer, *The Vanishing Newspaper: Saving Journalism in the Information Age*, Columbia, Mo: University of Missouri Press, 2004; Timothy E. Cook (Ed.), *Freeing the Presses: The First Amendment in Action*, Baton Rouge: Louisiana State University Press, 2005. Geneva Overholser, "On Behalf of Journalism: A Manifesto for Change," Annenberg Policy Center, 2006. Many of these scholars lay the intellectual groundwork for structural reform of institutions of the press, linking decreased quality of news to increased commercial pressures.



to invest in serious journalism and in-depth reporting, striking a better balance between public needs and shareholder returns. These projects may be able to draw on successful innovations from other businesses — such as factories, farms, grocery stores and credit unions — to chart a new course. In this section, we have tried to capture the discussion that has been developing around these nonprofit, low-profit, worker-owned and cooperatively organized models.

### Nonprofit Ownership

The nonprofit model has garnered significant attention for its potential to de-emphasize profit-making and focus on producing news. Advocates for nonprofit news suggest that 501(c)(3) newsrooms (named for the part of the tax code that exempts these organizations from some federal taxes) could reorient around the idea of journalism as a public service. By taking the pressure off the bottom line, these nonprofit organizations may be able to invest more fully in the news product. While this idea has enjoyed renewed attention in the current debate about the future of news, nonprofit news outlets have existed for quite some time.

One of the most celebrated models is the *St. Petersburg Times*, which is actually a for-profit newspaper owned and operated by the nonprofit Poynter Institute. The Poynter Institute owns the shares of the Times Publishing Company, which in turn owns the *St. Petersburg Times*, *Congressional Quarterly* and several smaller publishing ventures. The paper covers all of its own operating expenses, pays taxes on its profits, and even returns a dividend to the Poynter Institute.<sup>28</sup> Another prominent example is *The Guardian* in England, which is owned by the Scott Trust.<sup>29</sup> Similar nonprofit models — or for-profit ventures owned by nonprofits — exist in various forms elsewhere, including the *Christian Science Monitor*; the Manchester, N.H., *Union Leader*; *The Day* in New London, Conn.; the *Delaware State News*; and Alabama's *Anniston Star*.<sup>30</sup> Other longstanding examples of nonprofit news organizations include *Harper's Magazine*, *The Washington Monthly*, *Ms. Magazine* and *Mother Jones*.<sup>31</sup>

These successful models notwithstanding, the obvious challenge is transitioning commercial newspapers into nonprofit organizations. Promising first steps already have been made toward tweaking existing laws to encourage such new ownership structures. In March 2009, Maryland Sen. Ben Cardin introduced the Newspaper Revitalization Act.<sup>32</sup> This bill proposes changes to section 501 of the Internal Revenue Code to allow newspapers to be treated as if they were section 501(c)(3) organizations with “educational purposes.” Under this bill, newspapers that meet certain criteria could qualify as nonprofit, tax-exempt organizations (somewhat similar to public broadcasters), which in turn would allow them to receive foundation funding and benefit from charitable giving. Having this tax-exempt status would in theory encourage charitable donations to newspapers by allowing for tax deductions.

To qualify for tax-exempt status, newspapers would have to publish “local, national, and international news stories of interest to the general public,” and serve an educational purpose. Newspapers would still be able to run advertising as long as ad space does not exceed educational content. As Senator Cardin explains in a *Washington Post* op-ed, although newspapers would not be allowed to make political endorsements under this law, they would be permitted to “freely report on all issues, including political campaigns,” and to “editorialize and take positions on issues affecting their communities.” The bill would also allow advertising and subscription revenues to be tax-exempt, and contributions to support coverage or operations would be tax-deductible.<sup>33</sup> Senator Cardin's op-ed is perhaps overly hopeful that “citizens or foundations in communities

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<sup>28</sup> Douglas McCollam, “Somewhere East of Eden,” *Columbia Journalism Review*, March/April 2008.

<sup>29</sup> In Germany, there are a number of nonprofit newspaper models. The foundation-owned *Frankfurter Allgemeine Zeitung* is widely regarded as the best German newspaper. The leftist *Die Tageszeitung (TAZ)* is run by a cooperative from which people can buy nonprofit shares. The TAZ remains one of Germany's major national newspapers. We thank NYU Professor Rod Benson for bringing many of these international models to our attention.

<sup>30</sup> Charles Lewis, “The Nonprofit Road,” *Columbia Journalism Review*, September/October 2007.

<sup>31</sup> *Ibid.* Also see Tim Arango, “Mother Jones Tests Nonprofit Model in Race to Survive the Recession,” *New York Times*, March 6, 2009. Other examples of nonprofit owners include *Consumer Reports*, owned by Consumers Union, a nonprofit advocacy organization founded in 1936. Other big special-interest magazines published by nonprofit organizations include *AARP The Magazine* (22.6 million subscribers) and *National Geographic* (5.4 million subscribers).

<sup>32</sup> For the full text of the bill, see <http://cardin.senate.gov/pdfs/newspaperbill.pdf>

<sup>33</sup> Benjamin L. Cardin, “A Plan to Save Our Free Press,” *Washington Post*, April 3, 2009.



across the nation would be willing to step in and preserve their local papers.” But Senator Cardin is absolutely correct in stating plainly what is at stake: “Newspapers provide a vital service. It is in the interest of our nation and good governance that we ensure their survival.”<sup>34</sup>

Good intentions aside, one question about Cardin’s bill is how many newspapers would actually go for this model. The veteran industry analyst Robert Picard has noted that the impact of the bill, implemented in its present form, may be limited. Picard suggests the bill would appeal to very few dailies and that most neighborhood and community papers will have difficulties complying with its content and advertising requirements. He also notes that “even with tax exempt status, the costs of creation, publishing, distribution of a newspaper probably cannot be covered by many publishers with a 50 percent ad limit, unless they are especially effective at raising charitable contributions over time.”<sup>35</sup>

Another general concern about nonprofit newspapers is their inability to endorse candidates. On one hand, this has not been a major area of concern for nonprofit news organizations — they simply advocate for issues without specifically endorsing a candidate — but candidate endorsements are a longstanding tradition at newspapers. On the other hand, nonprofit status could make newspapers vulnerable to critics. It is not difficult to imagine corporations, politicians or political groups that have been offended by a paper going after that paper by challenging its nonprofit status on political grounds (i.e., complaining to the IRS that the paper is too conservative or liberal or is engaged in some kind of political agenda). In his *Washington Post* article, Senator Cardin acknowledges some of these limitations, but he argues that benefits such as tax-exempt advertising and subscription revenues and contributions from individuals and foundations might outweigh the restrictions, at least for some papers. “Converting to nonprofit status may not be the optimal choice for some newspapers,” Cardin writes, “but this legislation would provide an alternative business model that could help many newspapers keep operating.”<sup>36</sup>

Although by no means a panacea to newspapers’ woes, Senator Cardin’s bill is important because it recognizes many of the fundamental problems facing journalism and carves out an important role for federal policy in responding to the crisis. By introducing this bill, Senator Cardin began an important conversation about the federal government’s interest in supporting journalism. However, the bill, which mandates that nonprofit newspapers produce local, national and international reporting, seems to exclude a range of important community and regional newspapers that produce vital reporting but do not focus on international affairs. Additionally, the bill privileges traditional, paper-based newspapers over newer online newsrooms, blogs and other forms of Internet journalism. For Senator Cardin’s bill to be a truly forward-looking solution to the journalism crisis, it would need to be amended to account for the diverse and emergent models of journalism.

One of Sen. Cardin’s harshest critics, *Slate* columnist Jack Shafer, equates the bill to “assisted care,” and notes: “If you like NPR and PBS, which are always complaining about being underfinanced, you’d love weakling newspapers cobbling their budgets together from philanthropic donations, foundation grants, membership drives, and (who can’t see this coming?) government subsidies.”<sup>37</sup> Many detractors worry that the 501(c)3 model presents too many First Amendment concerns and might not even stand up if challenged in court. Other concerns focus on the possibility of newsrooms currying favor with their benefactors over the interests of their readers (though one could argue the commercial press is already doing this by accommodating Wall Street’s interests). Furthermore, a news organization dependent on charity has obvious vulnerabilities, especially during a time when philanthropies are taking a financial hit. Indeed, these models do not completely insulate newspapers from market and advertising forces. The *St. Petersburg Times* has been conducting its own round of buyouts and cost-cutting, and it is seeking to sell *Congressional Quarterly*.<sup>38</sup>

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<sup>34</sup> *Ibid.*

<sup>35</sup> Robert Picard, “Analysis of the Newspaper Revitalization Act,” *The Media Business*, Mar. 25, 2009. <http://themediabusiness.blogspot.com/>

<sup>36</sup> Benjamin Cardin, “A Plan to Save Our Free Press,” *Washington Post*, April 3, 2009.

<sup>37</sup> Jack Shafer, “Democracy’s Cheat Sheet?” *Slate.com*, March 27, 2009. <http://www.slate.com/id/2214724/>

<sup>38</sup> Clifford Krauss, “Balancing Bottom Lines and Headlines,” *New York Times*, Sept. 30, 2007.

Nonetheless, the history of nonprofit news outlets in America and abroad would suggest that some of these concerns are either overblown or easily addressed with the right structures and firewalls. In the end, one of the most important outcomes of these high-profile discussions of nonprofit ownership options may be a shift in public attitudes toward thinking of news media as public trusts that provide crucial public services necessary for a democratic society, instead of merely commodities to be bought and sold on the market.

### L3Cs: A Low-Profit Alternative

One compelling alternative to running newspapers as nonprofits is the low-profit limited liability corporation, or L3C. The L3C is a type of limited liability company (LLC), a time-tested, for-profit business model that is organized and operated primarily to serve a charitable purpose, with profit a secondary concern. Although the L3C model has not yet been applied to newspapers, it could be an important new tool for saving not just newspapers, but all newsrooms. Bill Mitchell of the Poynter Institute explains that L3Cs address “a fundamental conflict of publicly traded news companies: the obligation to increase shareholder value while spending what it takes to provide communities with the journalism needed to inform civic life.”<sup>39</sup> Indeed, the L3C promises advantages from both the nonprofit and for-profit worlds. “The L3C is different from a typical nonprofit because it can earn a return, but the social purpose must trump the financial purpose,” explains Sally Duros, a former *Chicago Sun-Times* reporter, writing for *The Huffington Post*. “The idea of the Newspaper L3C is to bring back those journalistic contributions like neighborhood reporting, music reviews and book sections and make them part of the community service. And ads are part of the mix, too.”<sup>40</sup>

As a type of LLC, L3Cs are set up to allow for a tiered investment structure in which different types of investment carry different levels of risk and potential return. Thus, the L3C can be organized to allow for a higher return to profit-seeking investors (e.g., institutional investors), and for lower returns to socially motivated investors or “venture philanthropists,” whose concept of “return on investment” might include the accomplishment of socially worthwhile ends. Because investors in the L3C need not invest identically, the model is also attractive to private foundations, which are required to pay out at least 5 percent of their wealth annually for charitable purposes. While foundations typically structure these payments as grants, they also may structure them as “program-related investments” (PRIs) that are made by the foundation to advance its charitable purposes. By law, foundations are allowed to make PRIs in for-profit businesses that have a social benefit.<sup>41</sup> In an L3C, PRIs would make up the “junior tier” of investment – the capital at most risk in the venture – providing the L3C with the financial wherewithal to attract substantial additional capital from other investors.

In April 2008, Vermont became the first state to pass legislation formally establishing L3Cs as an official legal structure. Around 60 businesses have organized under the structure thus far in the state. In recent months, Michigan, Wyoming, Utah, North Dakota and the Crow Tribe in Montana have passed L3C laws, and laws in many other states are pending.<sup>42</sup> The creator of the L3C idea, Robert Lang, is working with state Sen. Jim Jacumin in North Carolina on L3Cs that would buy up factories and renovate them with environmental improvements and other efficiencies. The L3C would then lease the factories to struggling furniture manufacturers at a low rate, helping preserve local jobs and support the local economy. The L3C model has also been proposed as a possible option for biotech firms working on public health issues, carbon trading, housing for low-income and aging populations, and broadband deployment.<sup>43</sup> There’s currently no federal statute for L3Cs, but Mitchell suggests that “just as many companies around the country incorporate in

<sup>39</sup> Bill Mitchell, “L3Cs a ‘Low Profit’ Business Model for News,” The Poynter Institute. Mar. 2, 2009 <http://www.poynter.org/column.asp?id=131&aid=159320>

<sup>40</sup> Sally Duros, “How to Save Newspapers,” *The Huffington Post*, Feb. 9, 2009. [http://www.huffingtonpost.com/sally-duros/how-to-save-newspapers\\_b\\_164849.html](http://www.huffingtonpost.com/sally-duros/how-to-save-newspapers_b_164849.html)

<sup>41</sup> Mark Fitzgerald, “Prophet Motives,” *Editor & Publisher*, March 1, 2009.

<sup>42</sup> The legislation is pending in some form in Arkansas, California, Colorado, Connecticut, Georgia, Illinois, Massachusetts, Missouri, Montana, North Carolina, Oregon and Tennessee. Robert Lang, personal communication, April 24, 2009.

<sup>43</sup> For a discussion of new and possible businesses leveraging the L3C model, see Jim Witkin, “The L3C: A More Creative Capitalism,” *The Triple Pundit*, Jan. 15, 2009. <http://www.triplepundit.com/pages/the-l3c-a-more-creative-capitalism.php>; Heather Peeler, “The L3C: A New Tool for Social Enterprise,” *Community Wealth Vanguard*, August 2007. Chris Larson, “L3C – The Next Generation of Small Biotech?” *American Chemical Society*, Oct. 15, 2008. Americans for Community Development, <http://americansforcommunitydevelopment.org>.

Delaware, you can register a Vermont L3C almost as easily from Burlington, Iowa, as Burlington, Vt.”<sup>44</sup>

However, Lang argues that federal legislation “is essential” for L3Cs to apply broadly to newspapers because “historically, the IRS has not accepted newspapers as nonprofits.”<sup>45</sup> In the 110th Congress, Lang worked with the Council on Foundations to promote the federal “Program-Related Promotion Act of 2008.”<sup>46</sup> The draft federal legislation basically provides for a process by which a business — for example, an L3C newspaper — could receive advance IRS approval that below-market foundation investments in the business would qualify as program-related investments. This IRS approval would make the business more attractive to foundations as a potential recipient for limited charitable dollars, because the foundations would know in advance that their investments in the business would count toward fulfilling their annual payout requirement. The Council on Foundations has made the federal legislation a formal part of its platform for 2009 and is again working with Lang to promote L3Cs at the federal level. At this time, a bill has not yet been introduced in Congress. “L3Cs are an interesting mix of for-profit and nonprofit,” says Bernie Lunzer, president of the Newspaper Guild. “This is not a bailout. This is a tool, but you’d still have to have financing and succeed on your own merits.”<sup>47</sup>

Whereas proponents of the L3C model see advantages in spreading risk over many nonprofit organizations, businesses and community groups, some observers wonder if L3Cs are best-suited as a short-term strategy while the industry is in flux instead of as a long-term business model.<sup>48</sup> Others suggest that the L3C model has a lot of potential, but that there may need to be accompanying efforts to create incentives for the transition to the new model. Even for private, family-owned newspapers, the prospect of relinquishing control over much of the paper’s value and, in some cases, family dynasty, can be a deterrent. One possibility, according to Lang, is for owners to split the organization and convert the printing facilities into a separate printing company that provides services under contract, since the L3C model makes owning the actual presses no longer necessary. Lang says, “This is the old industrial model which has held many papers back from being flexible enough to adapt to the information age.”<sup>49</sup>

Any proposal for transferring ownership to a nonprofit or low-profit organization may draw strong opposition from creditors, bondholders and investors who helped finance previous deals. In addition, moving into this arrangement may constrain the paper’s potential returns and overall marketability. However, given the dire economic future facing newspapers, this last factor may be less of a concern. Sweeteners in the form of significant capital-gains relief, debt forgiveness and other tax breaks could help make the transition to L3C ownership a viable option.<sup>50</sup>

What is most needed, however, is a test case. There’s a growing consensus that with newspapers losing so much value, it has suddenly become attractive for commercial owners to sell and affordable for communities to buy. Concerned groups that are looking to save journalism with new and sustainable ownership structures may see opportunity as cheap papers come onto the market. “We are all interested in finding models that others can replicate,” says Peoria Newspaper Guild President Jennifer Towery, who is advocating for L3C ownership of the *Journal Star*. “It’s not saving the paper, it’s saving journalism.”<sup>51</sup>

<sup>44</sup> Mitchell, *ibid*.

<sup>45</sup> Duros, *ibid*.

<sup>46</sup> The bill is designed to “facilitate PRIs by private foundations, in part by amending section 4944(c) of the Code to provide a process by which an entity seeking to receive PRIs can receive a determination that below-market foundation investments in such entity will qualify as PRIs.” Emily Chan. “L3C - Developments & Resources,” *The Nonprofit Law Blog*, March 10, 2009. <http://www.nonprofitlawblog.com/home/2009/03/l3c-developments-resources.html>; see also the Council on Foundations’ Issue Paper, “Allow Foundations to Make Program Related Investments to L3Cs.” March, 2009. <http://www.cof.org/files/Documents/Government/2009IssuePapers/09L3C.pdf>

<sup>47</sup> Mark Fitzgerald, “Prophet Motives,” *Editor & Publisher*, March 1, 2009.

<sup>48</sup> One advantage is the L3C’s flexibility. Its structure would permit an organization to return to full for-profit status and convert to a standard LLC after negotiating with investors.

<sup>49</sup> Robert Lang, personal communication, April 29, 2009.

<sup>50</sup> Several of these concerns in relation to all nonprofit and low-profit news ventures are described in Douglas McCollam, “Somewhere East of Eden,” *Columbia Journalism Review*, March/April 2008.

<sup>51</sup> Duros, *ibid*.

## Worker-Owned Media and Cooperatives

Among those most dedicated to preserving local media institutions — and the hardest hit by the current downturn — are working journalists themselves. In this light, the interest in employee-owned newspapers is gaining traction in the United States. Without the pressure to satisfy shareholders' desire for higher returns, employee ownership may result in a higher premium being placed on sustaining jobs, preserving high-quality content, and service to the local community. A number of U.S. papers have been worker-owned at some point in their history. A contemporary example is the *Omaha World-Herald*, the largest daily in Nebraska, which has been employee-owned since 1979.<sup>52</sup> Internationally, employee-owned models include prominent magazines like *Der Spiegel* in Germany and newspapers like *Le Monde* in France.<sup>53</sup>

In an attempt to counter the vicious cycle of investors placing high quarterly demands on media companies, which often lead to severe cost-cutting and the loss of jobs, the Newspaper Guild attempted to buy a number of Knight-Ridder papers and establish a major chain of union-owned and controlled newspapers when the chain was put up for sale in 2005.<sup>54</sup> Even though those attempts were ultimately unsuccessful, the Newspaper Guild continues to explore models for worker ownership, which might become more feasible if tax and bankruptcy laws were reformed in ways that encourage buyouts of failing papers by parties more likely to serve the interests of local communities (a proposal discussed below).<sup>55</sup>

Another model that provides partial worker ownership, though it remains controversial, is known as the Employee Stock Ownership Plan. ESOPs can allow for substantial tax benefits, profit-sharing, and increased retirement funds for employees.<sup>56</sup> As with employee ownership in general, such arrangements may give workers a greater sense of involvement with news production and the operations of a news organization. But in practice, ESOPs can shift the costs of bad business decisions onto the shoulders of employees. This was the case with Sam Zell's acquisition of the Tribune Co., in which he financed much of the debt from purchasing the Tribune papers by borrowing against the future of employee pension plans.<sup>57</sup>

Another alternative may be cooperatively owned news organizations. Longstanding models for cooperatively owned businesses include credit unions and farm distribution and processing co-ops. However, the popularity of newer models like grocery store co-ops has introduced the idea of cooperative ownership to a broader population. Co-ops are democratically controlled by their member/owners, and surplus revenues are returned to those members. Like the L3C model discussed above, the co-op structure shifts the mission of the organization away from profit-making toward providing quality goods or services to its members. Four out of 10 Americans are already members of co-ops.<sup>58</sup>

In the media business, perhaps the best-known example of this model is the Associated Press. The AP is owned by 1,500 U.S. daily newspapers, which in turn elect a board of directors that govern the cooperative. With more than 4,000 employees working in more than 240 worldwide bureaus in nearly 100 countries, the AP is funded primarily by news outlets paying for its news content.<sup>59</sup> Another significant cooperative newsroom is Indymedia, which grew out of the global justice movement to create a worldwide network of volunteer community newsrooms (known as

<sup>52</sup> Bill Roesgen, "Staying the Course," *American Journalism Review*, March 1999.

<sup>53</sup> Konstantin Richter, "Shop Stewards," *Columbia Journalism Review*, May/June, 2008; Rodney Benson, "La Fin Du Monde," *French Politics, Culture & Society*, Vol. 22, No. 1, Spring 2004.

<sup>54</sup> Todd Mason and Joseph N. DiStefano, "Union Explores Buying 8 KRI Sites," *Philadelphia Inquirer*, Dec. 23, 2005; "Knight Ridder Rebuffs Attempt by Union to Bid for Some Papers," *Los Angeles Times*, Dec. 23, 2005; Joseph Menn, "Buckle Backs Union's Bid for 9 Papers," *Los Angeles Times*, Feb. 16, 2006.

<sup>55</sup> See, for example, Peter Jamison, "Union Floats Proposal to Buy San Francisco Chronicle," *SF Weekly*, March 6, 2009.

<sup>56</sup> The *Peoria Journal Star* was an ESOP until 1996, when it was purchased by the newspaper chain GateHouse.

<sup>57</sup> Andrew Ross Sorkin, "Workers Pay for Debacle at Tribune," *New York Times*, Dec. 8, 2008. Carol Eisenberg, "Group of LA Times Employees Sues Sam Zell for 'Self-Dealings,'" *Muckety*, Sept. 17, 2008, Retrieved from: <http://news.muckety.com/2008/09/17/los-angeles-times-employees-sue-sam-zell-for-self-dealings/5052>

<sup>58</sup> See the statistics located on the National Cooperative Business Association Website: [http://www.ncba.coop/abcoop\\_stats.cfm](http://www.ncba.coop/abcoop_stats.cfm)

<sup>59</sup> For information about the Associated Press, see <http://www.ap.org/pages/about/about.html> — where it is described as "the largest and oldest news organization in the world." A much smaller example of a news cooperative is the *Greenbelt News Review*, which has been published weekly by volunteers without interruption since 1937 and is currently delivered free to all Greenbelt, Md., residents. see <http://www.greenbelt.com/newsreview/>

Independent Media Centers, or IMCs). Although many of these organizations struggled to sustain themselves on volunteer efforts (some never moving beyond a kind of community proto-blog), a number of notable U.S. IMCs continue to thrive, even regularly producing local newspapers.<sup>60</sup> Nonetheless, there is little evidence thus far that such models could significantly fill the widening gaps left by the collapse of commercial journalism. And even cooperatively run newspapers are struggling in today's economic climate.<sup>61</sup>

Although many of these models, with the exception of the AP, have yet to be established on a wide scale, worker-owned and cooperatively governed media hold promise. Specifically, they may be structured to better avoid the predatory behavior that contributed to newspapers' current predicament. In general, these alternative ownership structures can separate news production from commercial pressures. Combined with a low-profit or nonprofit status, these alternatives to absentee commercial ownership may offer a way to provide quality journalism to diverse local communities. Such alternatives are increasingly attractive as many local papers struggle, and communities across the country rally around saving them.

## Community and Municipal Models

A new generation of nonprofit news enterprises is striving to gather and produce precisely the kind of local, state and political news that newspaper chains have abandoned. These varied newsgathering initiatives, which draw from a number of models described above and below, fall under the umbrella of "community-based projects," given their focus on local and regional news. Some are independent projects pooling the resources of local bloggers; many are putting to work experienced journalists who have been downsized in cutbacks in local newspapers or radio and TV stations. While none have the reach or scope of the newspapers they're replacing or competing with, these new enterprises are breaking stories, putting reporters on important local beats, and offering new viewpoints to local readers. These projects may have something to learn from past experiments in local journalism as well as efforts from other spheres — from municipally owned newspapers in Los Angeles to the Green Bay Packers football team — to keep local institutions under local control.

### Community-Based Projects

Across the country, new local reporting projects are bubbling up to fill the gaps left by shrinking newsrooms at local papers and broadcast stations. These new projects share a public service mission, and many focus on sending reporters to cover beats that have been long forgotten or neglected, including coverage of city halls and statehouses. Capturing the unique role of these community-oriented projects, as well as the challenges they face, one article notes: "These tiny nonprofits — from Chicago and Minneapolis to New Haven and San Diego — are, at the very least, trailblazers. Some have become an integral source of information for their respective communities. All share a challenge: growing an audience while learning to break even."<sup>62</sup>

Often Web-based, a few well-known examples of this model include the *Gotham Gazette*, *New Haven Independent* and *Chi-Town Daily News*.<sup>63</sup> The Center for Independent Media has been building a network of nonprofit news sites that recruit local bloggers and journalists to focus on statehouses and local government in Michigan, Colorado, Iowa, New Mexico and Minnesota.<sup>64</sup> Similarly, the *New York Times* recently announced

<sup>60</sup> For example, The Urbana-Champaign Independent Media Center produces the monthly *Public I*, and the New York City IMC produces the *Indydependent*. For research on the Indymedia model, see Victor Pickard, "Assessing the Radical Democracy of Indymedia: Discursive, Technical and Institutional Constructions," *Critical Studies in Media Communication*, 23 (1), 19-38, 2006; "United yet Autonomous: Indymedia and the Struggle to Sustain a Radical Democratic Network," *Media Culture & Society*, 28 (3), 315-336, 2006; "The Indymedia Model: Strengths and Weaknesses of a Radical Democratic Experiment," *Global Civil Society Yearbook 2007/8: Communicative Power and Democracy*. London: Sage Publications, pp. 207, 210-212, 2008.

<sup>61</sup> Bill Glauber, "Cooperative Weekly Newspaper Strives to Stay Alive," *Milwaukee Journal Sentinel*, April 22, 2009.

<sup>62</sup> Ryan Blitstein, "The Bottom Line for Nonprofit News," *Miller-McCune*, March 4, 2008.

<sup>63</sup> Howard Kurtz, "Winds of Change in Chicago News," *Washington Post*, April 1, 2009. See Felix Salmon, "Nonprofit Newspapers: Worth a Try," *Portfolio*, Feb. 3, 2009.

<sup>64</sup> See <http://newjournalist.org/about/>. Another example is the San Francisco-based Newsdesk.org project, which seeks to establish a national network of independent but affiliated "local.newsdesk.org" bureaus that can advance "nonpartisan, commercial-free journalism and civic dialogue in underserved communities." A similarly promising example is the noncommercial, nonprofit Public Press, <http://www.public-press.org/>; see also Michael Stoll, "No Profit, No Problem," *Columbia Journalism Review*, April 2009.



that it was launching a series of “hyper-local” sites around New York City and New Jersey, a “pro-am journalism” effort that combines citizen reporters with professional editors.<sup>65</sup> Some hyper-local experiments, including sites like EveryBlock, Outside.in, Placeblogger and Patch, supplement aggregated blogs or news articles with data from local governments and other sources of information, as well as track neighborhood home sales, crime reports and restaurant health-code violations.<sup>66</sup>

One of the most talked-about examples of the community-based model is the *Voice of San Diego*, a four-year-old, nonprofit, online investigative site dedicated to going “out there and [getting] investigative stories.”<sup>67</sup> With a staff of 11, the site updates throughout the day and focuses on key local quality-of-life issues through beat reporting mixed with in-depth analysis. Its revenue depends on a handful of large donors, 800 individual readers who give \$35 to \$1,000 dollars per year; online advertising; large grants from organizations like the Knight Foundation, as well as smaller grants from local organizations. Another prime example of this model is *MinnPost*, a nonprofit, Web-based model that covers the Minneapolis-St. Paul area. The site takes some foundation funding, but hopes eventually to be self-sustaining through subscriptions and advertising. *MinnPost* publishes new content five days a week, produced mostly by journalists who have left the Twin Cities’ struggling daily newspapers.<sup>68</sup>

Many of these sites reflect the blogosphere’s increasing capacity to produce original news and reporting. For a long time, blogs were seen at best as places for commentary and opinion; at worst, they were dismissed as aggregators that were accused of stealing the news. At the national level, blogs like Josh Marshall’s *Talking Points Memo* have conducted important investigations and served as important watchdogs over national, state and local government. While it is true that much of the news that ends up on blogs has its origins in newspaper journalism, these new models are increasingly producing original reporting. For example, *Chi-Town Daily News* reporters broke the story of Chicago officials pushing through a 10 percent tuition increase at the city’s colleges without public notice. In his profile of *Voice of San Diego*, Randy Dotinga of the *Christian Science Monitor* lists just a few of the stories the outlet broke: “The police chief’s rosy crime statistics were a lie, it turned out. The councilman who urged water conservation was discovered to use 80,000 gallons a month at his home, more than five of his colleagues put together. And the school board president, according to an investigation, spent a full third of his time out of town and out of touch.”<sup>69</sup>

There is, however, almost universal agreement that these local news sites — and the blogosphere in general — still lack the capacity or scalability to truly replace the large newsrooms of legacy papers. Joel Kramer, the former publisher of the *Star Tribune* who started *MinnPost*, is clear about the possibilities and limitations inherent in this model. He writes:

With each new announcement of a paper closing, or a news company contemplating bankruptcy, or a dozen more journalism jobs being eliminated, my belief intensifies that the nonprofit approach has the best chance of sustaining serious regional journalism. But I am reporting back from the frontline of this digital journalism revolution that making it happen is no picnic. The same forces working against the for-profit model make self-sustaining nonprofit models challenging, too.<sup>70</sup>

Although the emergence of these local news sites is to be applauded, the question remains whether by themselves they can stand in for the newsgathering operations that are downsizing or disappearing altogether. For example, in cities like Seattle and Denver where newspapers have shuttered, only a fraction of the reporters

<sup>65</sup> David Kaplan, “NYT Gets Hyperlocal; Community Sites Planned For NY, NJ Neighborhoods,” *Paid Content*, Feb. 27, 2009. <http://www.paidcontent.org/entry/419-nyt-gets-hyperlocal-community-sites-planned-for-ny-nj-neighborhoods>

<sup>66</sup> Claire Cain Miller and Brad Stone, “‘Hyperlocal’ Web Sites Deliver News Without Newspapers,” *New York Times*, April 12, 2009. These sites tend to be a mix of for-profit and nonprofit enterprises, but all articulate a strong civic mission. Several promising models have received funding from the Knight Foundation News Challenge in their startup phase.

<sup>67</sup> For an informative interview with Andrew Donohue, co-executive editor of the *Voice of San Diego*, see “Future of News.” <http://www.onpointradio.org/shows/2009/02/the-future-of-the-news/>

<sup>68</sup> See <http://www.minnpost.com/about/>

<sup>69</sup> Randy Dotinga, “Nonprofit Journalism on the Rise,” *Christian Science Monitor*, Feb. 12, 2008.

<sup>70</sup> Joel Kramer, “Lessons I’ve learned After a Year Running MinnPost,” Nieman Journalism Lab, March 19, 2009. <http://www.niemanlab.org/2009/03/joel-kramer-lessons-ive-learned-after-a-year-running-minnpost/>

who lost their jobs are working at the new sites, whether established by the old newspapers or organized by the laid-off journalists.<sup>71</sup> And even many of these initiatives are struggling to find adequate funding.<sup>72</sup>

These community projects are filling crucial gaps in mainstream coverage, but it's still hard to imagine they can provide the in-depth local news required to maintain an informed citizenry, let alone replace today's news institutions. "Can these nonprofits be self-sustaining?" asks Charles Lewis, founder of the Center for Public Integrity, and one of the strongest supporters of these projects. "The evidence is of course they can. Is it easily done? No."<sup>73</sup>

## Municipal Ownership

A glance at the history of newspapers shows a number of interesting alternatives that often have been overlooked, but that may hold lessons for addressing today's crisis. Although more research is needed to understand why most of these models ultimately failed, there are several that are worth noting here. Compelling historical examples of ad-free, subscriber-supported newspapers include New York's *PM*

and Chicago's *The Day Book*.<sup>74</sup> Ultimately, these pioneering newspapers folded for want of adequate funding — in the case of *The Day Book*, a sudden increase in the cost of paper sank what had been a sustainable model — but both maintained enthusiastic audiences until the end. Similar nonprofit models were seriously considered by the Hutchins Commission, a blue ribbon panel of experts in the 1940s that grappled with a crisis of the press bearing many similarities to the one facing us today and presented a landmark report on the role of media in a democratic society.<sup>75</sup>

In the Progressive, New Deal and postwar eras, social movements drove vibrant grassroots press criticism and activism that led to a flourishing of alternative media, including municipally owned and cooperatively run newspapers. With a distribution of 60,000 copies, *The Los Angeles Municipal News*, published in 1912, was financed by the city and governed by a municipal newspaper commission of three citizen volunteers who were appointed by the mayor for four-year terms.<sup>76</sup> The editor of this "people's newspaper" described its mission as being "created by the people, for the people, and built for them under their control. It is in this sense unique."<sup>77</sup> Citing this experiment, among others, Nikki Usher of the *Online Journalism Review* observed how the *Municipal News* was "truly hyperlocal" and didn't cover national or state news or any wire services. She notes that experimenting with these alternatives was a crucial endeavor: "Even without answers, news innovators

<sup>71</sup> See, for example, the attempt to carry on the reporting of the *Rocky Mountain News* by a number of ex-employees: <http://www.indenvertimes.com/who-is-indenvertimescom/>

<sup>72</sup> Amy Gahrn, "INDenverTimes Troubles May Signal Difficulty of Replicating Newsrooms," Poynter Institute, April 23, 2009. <http://www.poynter.org/column.asp?id=31&aid=162416>

<sup>73</sup> Ryan Blitstein, "The Bottom Line for Nonprofit News," *Miller-McCune*, March 4, 2008.

<sup>74</sup> See, for example, "'Adless' Newspaper Dies; Higher Cost of White Paper Causes End of Chicago Publication," *New York Times*, July 7, 1917. For an extensive historical treatment of this venture, see Duane C. S. Stoltzfus, *Freedom from Advertising: E. W. Scripps's Chicago Experiment*. Urbana, Ill.: University of Illinois Press, 2007. For a comprehensive overview of ad-free papers and other historical models, see Denise E. DeLorme and Fred Fedler, "Endowed Newspapers: A Solution to the Industry's Problems?" *Journal of Humanities and Social Sciences*, Volume 2, Issue 1, 2008.

<sup>75</sup> Ultimately, the Hutchins Commission retreated from its more radical proposals and chose to advance ideas related to self-regulation of the commercial press, although they kept the door open for future governmental interventions. See generally, Robert Leigh (ed.), *Free and Responsible Press*. Chicago: University of Chicago Press, 1947. See also, Victor Pickard, "'Whether the Giants Should Be Slain or Persuaded to Be Good': Revisiting the Hutchins Commission and the Role of Media in a Democratic Society," 2008; Victor Pickard, *Media Democracy Deferred*, 2008.

<sup>76</sup> James Melvin Lee, *History of American Journalism* (New York: The Garden City Publishing Co., Inc., 1923), 410-412. For a comprehensive overview of ad-free papers and other historical models, see Denise E. DeLorme and Fred Fedler, "Endowed Newspapers: A Solution to the Industry's Problems?" *Journal of Humanities and Social Sciences*, Volume 2, Issue 1, 2008.

<sup>77</sup> For a discussion of the crisis in journalism during the Progressive Era, see Robert W. McChesney, *The Problem of the Media: U.S. Communication Politics in the Twenty-First Century*. New York: Monthly Review Press (2004). For an overview of this period, see Ben Scott's unpublished manuscript on Progressive Era criticism: "Radical Press Criticism in the Progressive Era," 2001. The quotation is taken from "A Newspaper Owned by the People," *La Follette's Magazine* 4, n. 20 (May 18, 1912), 7; see also Mila Maynard, "A Municipal Paper," *Appeal to Reason*, December 23, 1911, 2, (both cited in Scott, 2001). See also Robert W. Davenport, "Weird Note for the Vox Populi: The Los Angeles Municipal News," *California Historical Society Quarterly* 44 (March 1965), pp. 3-15.

of times past were willing to experiment. We should take our cues from the past, and consider new business models as opportunities for our industry rather than signs of its failure.”<sup>78</sup>

Several years ago, Harry Chandler, scion of the *Los Angeles Times*, suggested municipal ownership might be a better option than letting the paper fall into the hands of “an even more profit-squeezing new owner” like the Tribune Co.<sup>79</sup> After suffering years of “short-term profit targets that could only be achieved by staff and quality reductions,” Chandler suggested exploring “community ownership, like that of the Green Bay Packers football team.” The basic idea was ownership based on a stock offering available only to local residents. Here is how Chandler explained the Packers’ structure: “Article I of its bylaws states, ‘This association shall be a community project, intended to promote community welfare ... its purposes shall be exclusively charitable.’” Chandler noted that “if 20% of *Times* readers invest \$1,000, it could work.” He offered to write the first check for the “Los Angeles Times Community Owners LLC.”<sup>80</sup> History will tell us whether Chandler’s plea was far-fetched or visionary.

## Foundation and Endowment Support

A model that has captured the imagination of many commentators is the notion of foundation- and endowment-supported news media.<sup>81</sup> There have been a series of critical and creative responses to the journalism crisis from foundations and philanthropists who recognize the democratic role of journalism in society. The thinking behind this model is straightforward enough: Crucial sectors of the media may no longer be supported by the private market, but given their importance to the preservation of democratic culture, many people believe that newsrooms should be included under the umbrella of activities supported by foundations that promote social welfare. Vince Stehle of the Surdna Foundation has written about the possibility of nonprofit newsrooms attracting “a range of philanthropic support for their operations.” He writes: “Foundations and corporations might be willing to underwrite certain broad areas of coverage, in much the way public broadcasting generates sponsorship revenue.”<sup>82</sup> Similarly, Charles Lewis has called on “civil society, especially the nation’s foundations and individuals of means, to collaborate with journalists and experts who understand the changing economics of journalism in an imaginative, visionary plan that would support our precious existing nonprofit institutions and help to develop new ones.”<sup>83</sup>

## Foundation-Supported News Operations

Foundations already play a key role in supporting investigative journalism. The Center for Public Integrity and the Center for Investigative Reporting are both impressive, longstanding models that depend at least in part on foundation money for their operations. Two newer examples of this model are the recently announced Huffington Post Fund for Investigative Journalism and the Kaiser Health News initiative.<sup>84</sup> There are also several university-based reporting projects like the University of Maryland’s Journalism Center on Children and Families and Brandeis University’s Schuster Institute for Investigative Journalism.<sup>85</sup>

Perhaps the prime example of this model is *ProPublica*, an ambitious, not-for-profit investigative outfit that was financed by wealthy philanthropists at the Sandler Foundation and has hired a number of veteran investigative

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<sup>78</sup> Nikki Usher, “New Business Models for News Are Not That New,” *Online Journalism Review*, Dec. 17, 2008.

<sup>79</sup> James Rainey, “Scion Offers Ideas for Times,” *Los Angeles Times*, Nov. 11, 2006. See also Harry Chandler, “A Chandler’s Advice for the L.A. Times,” *Los Angeles Times*, Nov. 12, 2006. See also Victor Pickard and Sascha Meinrath, “Save Journalism: Public Set-Asides for a New Model of the Press,” New America Foundation, 2008.

<sup>80</sup> Harry Chandler, “A Chandler’s Advice for the L.A. Times,” *Los Angeles Times*, Nov. 12, 2006.

<sup>81</sup> See, for example, Bruce Bartlett, “Why Can’t the Ford Foundation Buy the New York Times?” *Forbes*, Feb. 20, 2009.

<sup>82</sup> Vince Stehle, “It’s Time for Newspapers to Become Nonprofit Organizations,” *Chronicle of Philanthropy*, March 18, 2009.

<sup>83</sup> Charles Lewis, “The Nonprofit Road,” *Columbia Journalism Review*, September/October 2007. See also Vince Stehle, “It’s Time for Newspapers to Become Nonprofit Organizations,” *Chronicle of Philanthropy*, March 18, 2009.

<sup>84</sup> David Bauder, “Huffington Post Launches Investigative Journalism Venture,” *Huffington Post*, March 29, 2009. [http://www.huffingtonpost.com/2009/03/29/huffington-post-launches-0\\_n\\_180498.html](http://www.huffingtonpost.com/2009/03/29/huffington-post-launches-0_n_180498.html). See also <http://www.kaiserhealthnews.org> for more information on the Kaiser Foundation’s health journalism initiative.

<sup>85</sup> Carol Guensburg, “Nonprofit News,” *American Journalism Review*, February/March 2008. Another foundation-supported, Web-based example is the *Daily Yonder*, [www.dailyyonder.com](http://www.dailyyonder.com), which is a national news site reporting on rural issues.



journalists.<sup>86</sup> With an initial gift of \$1.25 million from the Sandler and additional grants from the John D. and Catherine T. MacArthur Foundation, the Atlantic Philanthropies and JEHT Foundation, *ProPublica* boasts an annual budget of \$10 million and a staff of 28 reporters. *ProPublica* is designed to share its content with partners at mainstream, traditional outlets (along with the Web) to reach audiences.

The dilemma facing philanthropists is how best to spend their money in support of quality journalism over the long term. Can investigative projects be carried out on a larger scale? Should foundations take over and run local media outlets or work to fill in specific gaps left by commercial media? Are they better off supporting back-end operations, providing seed money for innovative projects, or sharing best practices? To this end, the *Chronicle of Philanthropy* recently explored the idea of creating a new nonprofit matchmaker that would connect journalists and news organizations with foundation funding.<sup>87</sup> This coordinating body would help combine the diverse streams of funding from various foundations and make philanthropy more strategic and effective at supporting the news.

One model that would leverage both public and private funding to support in-depth journalism and beat reporting would be a federal matching grant program. Such a program could pair the community foundation model described above with a federal funding stream. A federal fund housed in an agency such as the National Endowment for the Humanities — or some newly created entity — would match foundation contributions, but money would flow through the foundation, thus keeping the government out of content decisions and helping to create a firewall between journalists and the government.

The drawbacks with the foundation model are also fairly straightforward. Even if foundation funding for news organizations were provided with no strings attached, the success of this model remains entirely dependent on the largesse of wealthy donors. This money is not guaranteed, and if funders were to withdraw their support, dependent news organizations could come to a crashing halt. Foundations also tend to fund startup initiatives, rather than to provide general support over long periods of time, and there is a perception that foundations remain somewhat conservative in their selection of worthy projects.

It's unclear whether there is anywhere close to enough foundation money available to fund the full extent of journalism the country needs. According to the Foundation Center's most recent tally, philanthropic contributions to media as a whole amounted to roughly \$410 million; of this amount, only about one-sixth went directly toward supporting journalism.<sup>88</sup> This amount is wholly insufficient to support the annual newsgathering expenditures of a single newspaper like the *New York Times*. Other concerns about this model stem from the danger of foundation-supported newsrooms currying favor with their benefactors instead of looking out for the interests of their readers. Although we should embrace charitable giving to news organizations as a positive development, and highlight those cases where the models appear to be sustainable, placing all of our hopes on this model would be misguided. Other, more dependable and sustainable models are still needed.

### Private Endowments

Instead of relying on the ongoing support of foundations, some commentators suggest that newspapers ought to build up their own funding through endowments. David Swensen and Michael Schmidt of Yale University,

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<sup>86</sup> Carol Guensburg, "Big Bucks for Investigative Reporting," *American Journalism Review*, February/March 2008. The Sandler have promised to bankroll *ProPublica* at \$10 million annually for at least three years. Another interesting project, being run as a for-profit, is *GlobalPost*, which is trying to fill in the gap caused by the shuttering of foreign bureaus. "GlobalPost is a for-profit enterprise," reads its mission statement, "and we are proud of the fact that every employee and correspondent is a shareholder in our company. That is a rare opportunity for journalists, and it's part of what makes our company unique." *GlobalPost's* business model includes three sources of financial support: online advertising, the syndication or sale of content to other Web and print publications, and a paying membership (for specific news services). The *GlobalPost* editors intend to rely on a large network of global correspondents as well as local blogging networks for newsgathering operations.

<sup>87</sup> Franklin Foer, Tom Freedman and Elizabeth Wilner, "How a Philanthropic Network Can Save Journalism," *The Chronicle of Philanthropy*, Feb. 26, 2009.

<sup>88</sup> This calculation is based on numbers offered by the Foundation Directory Online: <http://fconline.fdncenter.org>. This figure does not include donations to public broadcasting.

writing in the *New York Times*, suggest that those who care about the future of journalism should consider modeling newspaper endowments after those of colleges and universities. They argue:

By endowing our most valued sources of news, we would free them from the strictures of an obsolete business model and offer them a permanent place in society, like that of America's colleges and universities. Endowments would transform newspapers into unshakable fixtures of American life, with greater stability and enhanced independence that would allow them to serve the public good more effectively.<sup>89</sup>

Calculating that newsgathering at the *Times* costs approximately \$200 million a year, Swensen and Schmidt suggest that a \$5 billion endowment would sustain the operation. Warning that "many newspapers will not weather the digital storm on their own," they call for "enlightened philanthropists" to act immediately or "watch a vital component of American democracy fade into irrelevance."<sup>90</sup> Steve Coll, former managing editor of the *Washington Post*, fueled this debate, writing in the *New Yorker* that a \$2 billion endowment could ensure a healthy newsroom for the *Post* and endorsing the idea of newspapers going nonprofit.<sup>91</sup>

Although endowment-supported news organizations are not as vulnerable as foundation-supported ones, there are some similar weaknesses beyond the obvious challenge of locating sources for such massive amounts of money. By remaining entirely dependent on the financial health of the endowments, news organizations may be especially vulnerable during economic downturns, such as the one we are currently experiencing, which could lead to severe cuts in news operations.

## Public and Government Models

The common mission of the various models discussed above is fostering quality journalism without unrelenting pressure from Wall Street. The deepening journalism crisis has sparked much debate as to whether the government should play a more direct role in supporting the press. This is not a new idea; as noted earlier, the government has always subsidized media and continues to shape it through media policy, though not always in ways that benefit the public interest. The government's role in promoting a media system that meets the diverse needs of all Americans may best be exemplified by the 1967 Public Broadcasting Act, which led to the establishment of the Corporation for Public Broadcasting (CPB), the Public Broadcasting Service (PBS) and National Public Radio (NPR).<sup>92</sup> As traditional commercial media fail to meet the information needs of our communities, and as blogs and community-based projects struggle to fill the void, there's renewed interest in our public media system and its potential for newsgathering and serious journalism.

Other government institutions and programs — from any number of New Deal-era programs to the National Endowment for the Arts to AmeriCorps — have been proposed as possible models for rescuing journalism. A range of innovative programs and proposals under discussion would involve creating new structures to support newsgathering in our communities. In this section, we look at how new and old models of public media can support journalism in the digital age.

### The Public Media Model

Many people have begun to look to public broadcasting as a viable model for saving journalism. "The most successful hybrid of old and new media comes from the last place you'd expect," entrepreneurial business magazine *Fast Company* recently wrote. "NPR's digital smarts, nonprofit structure, and good old-fashioned shoe leather just might save the news." The article notes that "NPR's listenership has nearly doubled since 1999, even as newspaper circulation dropped off a cliff. Its programming now reaches 26.4 million listeners weekly

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<sup>89</sup> David Swensen and Michael Schmidt, "News You Can Endow," *New York Times*, Jan. 27, 2009.

<sup>90</sup> *Ibid.*

<sup>91</sup> Steve Coll, "Nonprofit Newspapers," *New Yorker*, Jan. 28, 2009. Similarly, Orville Schell, former dean of the Berkeley School of Journalism, suggests organized groups set up trusts to fund self-sustainable community journalism not dependent on foundation dollars. On a similar note, Mark Cooper of the Consumer Federation of America has called for encouraging family-owned newspapers to transition into endowment-supported news organizations that could gradually develop into powerful regional institutions.

<sup>92</sup> <http://www.cpb.org/aboutpb/act/>

— far more than *USA Today's* 2.3 million daily circulation or Fox News' 2.8 million prime-time audience. When newspapers were closing bureaus, NPR was opening them, and now runs 38 around the world, better than CNN."<sup>93</sup> Despite their continued success, public media aren't immune from the economic recession, either: In December, NPR canceled several shows and let go 64 employees.<sup>94</sup>

One of the most attractive aspects of this model is the potential for tapping into the pre-existing structures and skills that constitute the country's public media system. Another one of public media's primary assets is that it is already set up to receive appropriations from the U.S. government. Such a ready-made system holds obvious advantages over creating an entirely new system or entity like a National Endowment for Journalism. Furthermore, public support for public broadcasting has remained high, consistently ranking second only to the Defense Department in public surveys of good uses of federal spending.<sup>95</sup> The shift to digital broadcasting means that NPR and PBS now have multiple TV and radio stations in thousands of communities around the country. Finally, an infusion of public media funding for journalism seems particularly in line with the 1967 legislation that first created the public broadcasting system to cover the stories and produce the content the market typically failed to support.

Indeed, the combination of the crisis in corporate media and advances in digital production and distribution could be an historic opportunity for public media's reinvention. Such an overhaul is long overdue: The U.S. government currently spends a little more than \$400 million annually to fund public media. That's just \$1.35 per capita, a paltry figure compared to the amount spent in countries like Canada (\$22.48 per capita) and England (\$80.36 per capita).<sup>96</sup> With increased funding — say, to as little as \$5 per person — the American public media system, like the CBC or BBC, could serve as a core institution for local and national journalism, and become the information backbone for communities across the nation. Better yet, Congress should create and fund a permanent trust that would shield public media from the political whims of Washington and invest for the long term. Devoting a few billion to public media — an entity that enjoys far more public support than failing banks — increasingly seems like a smart investment.

This investment in quality reporting would go far in improving and modernizing the existing public media infrastructure. We would also need to take a look at governance and broaden the tent, both in terms of diversity of programming and audience and expanding the definition of public media to include community outlets, Low Power FM radio and other types of nonprofit media. (Ideas explored in greater detail later in this book.) While the public broadcasting system maintains a strong presence in key geographic centers, with sizable Washington and foreign bureaus and a strong network of U.S. affiliates, it has been slow to adapt to the multimedia environment. If we were to transform the old public broadcasting network into new public media, providing multimedia news across multiple digital platforms including text-based media, it would go far toward establishing a strong anchor for America's information needs.

There is a shrinking but still formidable coterie in Congress that for years has tried to "zero-out" appropriations for public radio and TV. But some 40 years after its birth, we may finally be at the point where public media can live up to the lofty goals of its founding.

### New Government Programs & Institutions

As talk of bailouts and stimulus bills dominated the headlines last fall and winter, discussions picked up steam on whether federal funding should be dedicated specifically to rescuing journalism and journalists. One New Deal-inspired proposal was the creation of a new "Federal Writers Project" to employ reporters who had lost their jobs. The original FWP, a core initiative of the Works Progress Administration, employed more than 6,000

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<sup>93</sup> Anya Kamenetz. "Can NPR Save the News?" *Fast Company*, March 18, 2009.

<sup>94</sup> David Folkenflik, "NPR Announces Cuts to Staff, Programs," NPR, Dec. 10, 2008.

<sup>95</sup> Roper Public Opinion Poll on PBS, January 2009. <http://www.kpts.org/user/file/Roper2009.pdf>

<sup>96</sup> Free Press research. In many countries, public media funding is derived from an annual government-mandated television license fee. In general, the total amount generated through this license fee for 2007 was divided by the population of the country for the same year. The currency was converted to U.S. dollars using the relevant exchange rate from Jan. 15, 2009. The U.S. figure was calculated by relying on the money appropriated in 2005 for the 2007 fiscal year.

writers, artists and historians who produced a range of important, local projects such as regional guides, plays and oral histories. Mark Pinsky, writing in *The New Republic*, describes the idea:

The FWP could begin by documenting the ground-level impact of the Great Recession; chronicling the transition to a green economy; or capturing the experiences of the thousands of immigrants who are changing the American complexion. Like the original FWP, the new version would focus in particular on those segments of society largely ignored by commercial and even public media.<sup>97</sup>

Another idea, modeled after the National Endowment for the Arts and the National Endowment for the Humanities, is a federally funded National Endowment for Journalism that would provide grants to news organizations and individual journalists.<sup>98</sup> The NEA and NEH have been able to fund a broad diversity of projects with modest budgets. In 2008, the NEA had a budget of roughly \$160 million, and NEH was working with just under \$145 million.<sup>99</sup> Both organizations welcome donations and occasionally partner with foundations, but they still receive the majority of their funding through direct federal appropriations. By focusing on seeding innovation, the endowments help establish new work and strengthen existing institutions. The endowments are governed by a presidentially appointed chair and guided by a council of advisers made up of private citizens (also appointed by the president and confirmed by the Senate). Establishing a National Endowment for Journalism would require federal legislation.

David Scharfenberg, writing in the *Boston Globe*, proposed a \$100 million investment in journalism that could “seed low-cost, Internet-based news operations in cities large and small — combining vigorous, professional reporting with blogging, video posts, citizen journalism, and aggregation of stories from other sources.” These sites, Scharfenberg writes, would “build on an emerging nonprofit news model that may be our best hope for preserving serious reporting.”<sup>100</sup> Given the recently expanded labor pool of laid-off journalists, such an effort could keep skilled workers on the job while serving the greater social good. Stanford Professor Ted Glasser has called for an endowment that would specifically fund “alternative forms of journalism,” described as “journalism aimed at minority communities, journalism where communities are deemed to be demographically unattractive [to advertisers].” For Glasser, any new public investment should serve places and people that have historically been neglected by commercial journalism.<sup>101</sup>

Apart from the serious question of political viability, the critiques of this model mirror the critiques surrounding other public media models: Where would money come from? How would you establish a political firewall between funding and reporting? How would the board be picked and the money be distributed?

### Journalism Experimentation Fund

One of the strengths of the national endowment model in addressing the journalism crisis is its potential to foster experimentation and study replicable best practices. While few agree on the solution to the crisis in journalism, there is nearly universal agreement on the need to experiment with new models. Just as government invests in medical and scientific research and development, it could establish a fund to support innovative journalism projects and foster new models for news and information. Based on models that already exist in the sciences, transportation, energy, defense and health, the federal government could establish a Federally Funded Research and Development Center.<sup>102</sup> Funding for such centers comes from different agency budgets and is often distributed to academic institutions and other nonprofit research centers. In the case of a Journalism R&D Fund, the money could flow through the NEH. Such a fund might function as a private/public partnership, in which government funds match investments made by foundations, universities or private companies.

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<sup>97</sup> Mark Pinsky, “Write Now,” *The New Republic*, Dec. 8, 2008.

<sup>98</sup> Alex Stonehill, “Fourth Estate Foreclosure,” *Common Language Project*, Jan. 17, 2009. <http://clpmag.org/content/contentpages/2009/blog-stonehill-4th-estate-foreclosure.php>; Ted Glasser, “Imagining a National Endowment for Journalism,” *Independent Arts and Media*, March 17, 2009. [http://artsandmedia.net/2009/03/on\\_public\\_media\\_ted\\_glasser\\_an.html](http://artsandmedia.net/2009/03/on_public_media_ted_glasser_an.html).

<sup>99</sup> See annual reports at <http://www.nea.gov> and <http://www.neh.gov>

<sup>100</sup> David Scharfenberg, “Aiding Tomorrow’s Journalists Today,” *Boston Globe*, Feb. 2, 2009.

<sup>101</sup> Ted Glasser, “Imagining a National Endowment for Journalism,” *ArtsAndMedia.net*, March 17, 2009.

<sup>102</sup> For a list of all federally funded research and development centers, visit: <http://www.nsf.gov/statistics/nsf05306/>

Insisting that this funding go to institutions like universities, however, may actually hinder innovation and development of individual projects that are unaffiliated with those institutions. Ideally, such a program would include two funding streams, one focused on research and the other on new models. This second funding stream would function like a public-interest-oriented venture capitalist. Some new journalistic initiatives may be attractive for investors given that quality information will always be in demand. Back in 2007, *Wired* reported that citizen journalism was “red hot,” with Associated Content landing \$10 million in financing from Canaan Partners; NowPublic receiving \$10.6 million in financing from Rho Ventures; and OhMyNews landing \$11 million from SoftBank.<sup>103</sup> However, funding for this kind of experimentation has since become mostly the province of a few foundations like the John S. and James L. Knight Foundation, whose Knight News Challenge plans to invest “at least \$25 million over five years in the search for bold community news and social media experiments.”<sup>104</sup> It is possible that such a model could be replicated on a much larger scale at the federal level.

### Journalism Jobs Program

Given that Congress has voted to dramatically increase funding for AmeriCorps, an independent federal agency that aims to “foster civic engagement through service and volunteering,”<sup>105</sup> Eric Klinenberg of New York University has proposed earmarking some of these funds specifically for a program to train the next generation of local journalists. These “journalism fellows” would most likely be recent college graduates who would be trained to do multimedia reporting for outlets in their cities and towns. Such efforts may be done in partnership with local media organizations, and foundations could provide outlets for the content or office space. Klinenberg notes:

The idea stems from a specific concern: that the federal stimulus and bailout programs are pumping billions of dollars into state and local governments (as well as the private sector) at the very moment local news organizations are eliminating their local political beat reporters. By all counts, statehouse and City Hall reporters are disappearing quickly, and thus far no one has emerged to replace them.<sup>106</sup>

In a spirit similar to the “Teach for America” program, the journalism fellows could step in as reporters. Our taxpayer dollars would likely be better spent if we had watchdogs on the ground covering government spending.

While such a program could serve to educate the next generation of watchdogs, there are still nearly 20,000 journalists who have lost their jobs in the last year and a half. Perhaps these funds could also be used to provide multimedia training for laid-off journalists. The Poynter Institute has pioneered a series of trainings designed to do just that. Other similar efforts have been undertaken by NPR and the Knight Digital Media Center. This kind of program could be expanded to help veteran journalists learn new reporting skills as well as aid them in setting up new local journalism ventures.

### New Commercial Models

The debate about new commercial models for newsrooms is just as robust and contentious as the discussion of its noncommercial counterparts. However, this debate often derails over how news content should be monetized on the Internet. One school blames the Internet, search engines and news aggregators for stealing content — if not destroying quality journalism altogether. Another believes the magic of the Internet and the free market will eventually sort out the future of journalism naturally, even if some old-media dinosaurs and a lot of working journalists are struggling now. Neither side has much patience for the other, and they tend to reduce their opponents’ arguments to caricatures. Yet fundamental questions still remain: Can the commercial system support quality journalism without remaining stuck in the past? Is the Internet killing journalism as we know it or inventing something better? How can policy be used to foster innovation instead of propping up failing models?

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<sup>103</sup> Adario Strange, “\$20 Million to Citizen Journalism in One Week,” *Wired*, Aug. 1, 2007. <http://blog.wired.com/business/2007/08/20-million-to-c.html>

<sup>104</sup> For a description of this program, see <http://www.newschallenge.org/about>

<sup>105</sup> Ann Sanner, “Congress expands AmeriCorps volunteer program,” *Associated Press*, March 31, 2009; see also <http://www.americorps.gov/about/ac/index.asp>

<sup>106</sup> Eric Klinenberg, personal communication, April 10, 2009.

How should we pay — and who should get paid — for the news?

In the following section, we explore several ideas surrounding the commercial media system. We evaluate claims that limits on media consolidation and concentration may be outdated. We look at the question of how to replace the traditional subscriber model and whether “micropayments” — obligatory or voluntary — might be a viable answer. And we explore a few other interesting ideas that have surfaced in this debate, from renegotiating cost-share agreements with search engines to bundling news content with cable TV subscriptions. As with the models discussed above, it is unlikely that any one idea will serve as a silver bullet, but each may have promise as a part of a larger strategy for supporting journalism.

### Media Consolidation

The default position of too many media companies has been to try to achieve savings through consolidation and syndication during hard economic times. This tactic might pay short-term dividends, but it means less original, local, in-depth news and information is being produced in the long run. House Speaker Nancy Pelosi, whose hometown *San Francisco Chronicle* is in trouble, recently asked U.S. Attorney General Eric Holder to consider loosening antitrust laws to help out struggling newspapers by allowing more media mergers.<sup>107</sup> Holder indicated he might be open to revisiting the rules, but lawyers in the Department of Justice antitrust division expressed more skepticism in testimony before Congress.<sup>108</sup>

There’s a strong argument to be made that runaway consolidation in radio, TV and newspapers, which created the few debt-saddled giants that are now toppling over, is actually the problem, not the solution. Mismanagement and greed — spurred by bad policy decisions at the FCC and elsewhere — have endangered outlets and shuttered newsrooms, even as the underlying papers and stations themselves remain profitable. If anything, policymakers should revisit FCC regulations to restore local ownership caps, break up conglomerates, and discourage new mega-media mergers.<sup>109</sup> More media consolidation is arguably one of the most harmful options currently being considered. It rewards the same bad actors for making bad business decisions that leveraged their companies with crippling debt from buying sprees. More consolidation would at best provide a temporary respite. Worse, it would produce no new jobs or diversity in the media, while effectively propping up a failed business model.

### Micropayments

Industry watcher Alan Mutter has called giving away news content for free online the “original sin” committed by the traditional media. While some are talking about newspapers re-imposing pay-walls, like the *Wall Street Journal* uses or the *New York Times* tried with “Times Select,” most general news outlets have given up on the notion. In place of the pay-wall structure, the idea of micropayments has gained significant traction. But it also has its critics. Micropayments allow readers to pay a small fee (pennies or dollars) on a per-article basis online. Walter Isaacson, former CEO of CNN and managing editor of *Time* magazine, is one of the most influential and vocal supporters of micropayments.<sup>110</sup> He suggests the industry should adopt tools like PayPal or an E-Z Pass digital wallet that permit “impulse purchases of a newspaper, magazine, article, blog or video for a penny, nickel, dime or whatever the creator chooses to charge.”<sup>111</sup> Similarly, David Carr of the *New York Times* has called for an iTunes model for journalism. Launching a new company to help print media to charge for online content, *American Lawyer* founder Steve Brill has advocated for “flipping the Web’s lethal dynamics.”<sup>112</sup>

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<sup>107</sup> John Eggerton, “Pelosi Asks Justice to Take Broader View of Competitive Landscape,” *Broadcasting & Cable*, March 17, 2009; Terry Kivlan, “Justice Dept. Opposes Antitrust Exemptions For Newspapers,” *CongressDaily*, April 22, 2009.

<sup>108</sup> Randall Mikkelsen, “U.S. Law Chief Open to Antitrust Aid for Newspapers,” *Reuters*, March 18, 2009.

<sup>109</sup> Craig Aaron and Joseph Torres, “Consolidation Won’t Save the Media,” *The Guardian*, March 26, 2009, <http://www.guardian.co.uk/commentisfree/cifamerica/2009/mar/26/pelosi-media-consolidation>

<sup>110</sup> Walter Isaacson, “How to Save Your Newspaper,” *Time*, Feb. 5, 2009. See also David Sarno, “Micropayments: A Rainbow for Journalism...or a Hail Mary?” *Los Angeles Times*, Jan. 13, 2009.

<sup>111</sup> Isaacson, *ibid*.

<sup>112</sup> Steve Brill, “Turning Around the Times – And Journalism,” Poynter Institute, November 2008. <http://www.poynter.org/column.asp?id=45&aid=158210>. See also Nat Ives, “Brill: Bring Back an Old Business Model for New Media,” *Advertising Age*, April 15, 2009.



A passionate chorus of writers are not convinced, however, for reasons ranging from “nickel-and-diming” readers to more structural issues.<sup>113</sup> In responding to Brill’s ideas, Jack Shafer of *Slate* notes that even if he “recruits 95 percent of the top newspapers and magazines in the country, welds digital-rights-management security bracelets onto all content, and assassinates hackers who redistribute copy without authorization, the idea can’t work.” Shafer says “fair use” copyright laws make it impossible for publishers to maintain proprietary control over the basic content of news.<sup>114</sup>

Similarly, Jeff Jarvis, a prominent blogger and a professor at the City University of New York, has a spirited critique of micropayments based on what he perceives as the faulty economics underlying the plan. Jarvis argues that news is not a product that can be contained within the space of a transaction: “Once news is known, that knowledge is a commodity and it doesn’t matter who first reported it. ... There’s no fencing off information, especially today, when the conversation that spreads it moves at the speed of links.” In a forum hosted on the *Los Angeles Times* Web site, Jarvis lists several reasons he believes pay-walls and micropayments won’t work:

Putting your content behind a wall cuts it off from the conversation and robs it of influence. ...  
Charging radically reduces the audience for news stories and thus the ad revenue from them. ...  
Cutting yourself off from that rich economy of search and links is like taking your publication off the newsstand and making your readers walk to your office to buy it.<sup>115</sup>

For Jarvis, new payment methods are a symptom of the old way of thinking about journalism, that is, the way that got newspapers into their current predicament in the first place.

In the *Los Angeles Times* forum, Alan Mutter, a journalist turned Silicon Valley CEO and blogger, argued that people will pay for the news online if it is high-quality. “The trick to charging for content is coming up with unique and valuable information that smart people will want to pay for,” he wrote. For Mutter, it is not about a specific payment or business model, but about the product itself. News organizations need to find their niche, produce the best news possible, and then present it in the most elegant way possible. “Consumers increasingly overwhelmed with information will be willing to pay for news and information they can trust,” he insists. “Media companies can (and should) go beyond their current advertising-dependent business models by charging for original reporting and the well-organized delivery of news aggregated from other sources that has been carefully edited, vetted and presented.”<sup>116</sup>

Others have suggested that news organizations should bundle up their content and sell subscriptions in bulk, much like cable TV. “I’m now a believer in the cable TV model,” writes Eric Zorn of the *Chicago Tribune*. “News organizations that generate significant original content should band together for their own survival and sell group subscription packages for unlimited access to their stories, photos, videos, archives and other offerings.”<sup>117</sup> Mark Cuban, entrepreneur and owner of the NBA’s Dallas Mavericks, has suggested that news organizations actually pair up with cable operators to offer their subscribers exclusive access to the online versions of their newspapers for a price.<sup>118</sup>

In the end, there will be sites like the *Wall Street Journal*, whose pay-wall seems to work, that will inspire continued experimentation with micropayments. While some efforts may offer a partial solution, the evidence

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<sup>113</sup> David Carr, “Let’s Invent an iTunes for News,” *New York Times*, Jan. 11, 2009. Jack Shafer, “Building an iTunes for Newspapers,” *Slate*, Jan. 12, 2009. <http://www.slate.com/id/2208445/>; Gabriel Sherman, “Micro Economics: Why Steve Jobs and Micro-payments Won’t Save the Media,” *Slate*, Feb. 9, 2009. Clay Shirky, “Why Small Payments Won’t Save Publishers,” Feb. 9, 2009. Michael Kinsley, “You Can’t Sell News by the Slice,” *New York Times*, Feb. 10, 2009. David Robinson, “The Future of News: We’re Lucky They Haven’t Tried Macropayments,” *Freedom to Tinker*, Feb. 12, 2009.

<sup>114</sup> Jack Shafer, “Hello, Steve Brill, Get Me Rewrite,” *Slate*, April 17, 2009.

<sup>115</sup> Jeff Jarvis, “Can Newspapers Charge for the Online Versions of Their Work?” *Los Angeles Times*, March 19, 2009.

<sup>116</sup> Alan Mutter, “Can Newspapers Charge for the Online Versions of Their Work?” *Los Angeles Times*, March 19, 2009.

<sup>117</sup> Eric Zorn, “Rescuing Print Journalism: Does Cable TV Have the Right Idea?” *Chicago Tribune*, Feb. 24, 2009. [http://blogs.chicagotribune.com/news\\_columnists\\_ezorn/2009/02/rescuing-print-journalism-does-cable-tv-have-the-right-idea.html](http://blogs.chicagotribune.com/news_columnists_ezorn/2009/02/rescuing-print-journalism-does-cable-tv-have-the-right-idea.html)

<sup>118</sup> Mark Cuban, “How Cable and Satellite Can Save the Newspaper Business,” *Blog Maverick*, Feb. 22, 2009. <http://blogmaverick.com/2009/02/22/how-cable-satellite-can-save-the-newspaper-business/>

so far does not bode well for the model. Even successful micropayment plans will likely be unable to monetize online readers at the same rate of return as print or broadcast audiences. For decades, advertising-supported daily newspapers have had a virtual license to print money. New forms of online payments will not bring that era back. But most commentators on both sides of this debate fail to fully account for the structural roots of the current crisis. Neither argument captures the breadth of the problem we face, nor offers anything more than piecemeal solutions. Both sides offer what is essentially a market-based approach at a time when we may need to think beyond the marketplace.

### Micropayment Alternatives

Not all micropayment proposals are based on a bundling, pay-wall, or per-transaction setup. Another approach is an online “tip jar” using technology like Kachingle that would give readers the “option of whether to pay for a Web site’s content.”<sup>119</sup> This model is similar to blogger Doc Searls’ “PayChoice” project, which would allow customers “to pay any amount they please, when they please, with minimum friction.”<sup>120</sup> These approaches are perhaps a promising update to the public media model, where donations are strongly encouraged through pledge drives. Similarly, blogger Josh Young suggests that organizations should charge their readers for added convenience or increased interaction with content creators. This “freemium” model would capitalize on trust built between journalists and their readers. “Giving paying users otherwise exclusive Twitter access to the creator could work,” Young writes. “SMS updates could work, as could a permission-only room on FriendFeed. Even something as simple as a gold star on paying users’ comments — a symbol that they support the creator financially — would provide incentive for the creator to reply.”<sup>121</sup>

In a “journalism-for-hire” variation of the micropayment option, stories are either solicited by organizations or pitched by a journalist who proposes a story and asks for donations. Another version, being tested by the innovative news project Spot.U.S., which has received a grant from the John S. and James L. Knight Foundation, collects pledges to fund worthy reporting projects. If the story is picked up by a news organization, donors are repaid.<sup>122</sup> These models raise issues of journalistic autonomy and could be open to abuse if appropriate firewalls aren’t built between donors and reporters.

It is difficult, thus far, to see how new payment models could take off in such a way as to fully support a vibrant press system. These experiments seem necessarily limited to local reporting efforts and supplementary funding for certain kinds of reporting. For example, in the case of Spot.U.S., the process of pitching a story and waiting for it to be funded may not be the best model for reporting quickly on pressing community issues or breaking news. The public nature of such news ventures presents challenges for journalists who are doing in-depth stories on issues they may not be able to publicize, like monitoring local business or government leaders. In addition, each alternative micropayment model requires a good deal of investment by news organizations, which have to dedicate staff time to organizing community support and encouraging donations. This is especially true with regard to lengthy reporting projects or ongoing beat reporting, which doesn’t fit within the short-term, project-based model that lends itself to micropayments. Finally, what happens to all those important stories that need to be told, but which donors may not be willing to fund?

### What Should Google Do?

While most of the ideas surrounding paying for content focus on directly charging consumers, there may also be an opportunity to rethink how news organizations charge advertisers as well. Specifically, newspapers could negotiate with search engines around revising the current profit-sharing model for online ads. An argument can be made that news content enhances the value of the search and discovery business for Google, Microsoft, Yahoo and others. Negotiating a higher profit-sharing ratio would bring in an uptick in revenues to help support the online model. Presumably this amount is not enough money to singlehandedly save the industry,

<sup>119</sup> Steve Outing, “Forget Micropayments — Here’s a Far Better Idea for Monetizing Content,” *Editor & Publisher*, February 10, 2009.

<sup>120</sup> Doc Searls, “After the Advertising Bubble Bursts,” *Doc Searls Weblog*, March 23, 2009. <http://blogs.law.harvard.edu/doc/2009/03/23/after-the-advertising-bubble-bursts/>

<sup>121</sup> Josh Young, “Why I Dislike Micropayments, Don’t Mind Charity, but Really Have a Better Idea,” *Networked News*, Feb. 11, 2009. <http://networkednews.wordpress.com/2009/02/11/no-micropayments-maybe-charity-yes-freemium-news/>

<sup>122</sup> Alexis Madrigal, “Crowdfunded Reporting: Readers Pay for Stories to Be Told,” *Nieman Reports*, Spring 2009.



but it would help in combination with other strategies, and its role would increase as the value of online advertising goes up. Others have urged Google to share revenue with content creators or more directly support news operations, especially since Google commands vast resources and directly benefits from newspapers placing their content online. Google CEO Eric Schmidt's public comments about a desire to help save the news industry have given hope to wishful thinkers.<sup>123</sup>

On the other hand, some print news organizations are blaming Google for their own failure to monetize the Internet and are setting up protective measures around their content.<sup>124</sup> In April, the Associated Press announced that it was launching "an industry initiative to protect news content from misappropriation online." While this initiative is not aimed directly at Google — which has syndication and hosting agreements in place with the AP — it's clear the media companies that own the AP are seeking to reshape the ways news is accessed online. The AP said it is planning to develop "a system to track content distributed online to determine if it is being legally used" and to ensure search pages "point users to the latest and most authoritative sources of breaking news."<sup>125</sup>

The AP's move has been met with significant skepticism. Saul Hansell of the *New York Times* suggested that the move was tantamount to the organization turning on its own members. "What is particularly ironic about The Associated Press's temper tantrum," he wrote, "is that its paying members include nearly all of the sites offering free news on the Web and that much of what they are giving away are, in fact, articles and photos created by The A.P. itself."<sup>126</sup> Technology reporter Kara Swisher described the effort as an attempt to "stop the Internet from being the Internet."<sup>127</sup> And there are still a lot of questions about how the AP will implement its plans and what the outcome will be. "Anyone who thinks he or she really understands what the Associated Press plans to do about controlling the use of news industry content is much better at mindreading and predicting the future than I am," wrote *Paid Content*'s Staci Kramer after interviewing AP Chairman Dean Singleton, who is also the CEO of newspaper giant MediaNews.<sup>128</sup>

### The 'Do Nothing' Approach

There are no easy answers to the problems facing American journalism, and some people welcome its demise. Others understand the vital role of quality journalism and lament the loss, but assert that new models will eventually fill in the gaps left behind by the crumbling old media institutions. "Newspapers are going to die," Jeff Jarvis writes. "That is wrenching, of course ... but this upheaval is no different from that overtaking automakers, auto dealers, retail chains, banks, airlines, music companies, and soon other media sectors that are suffering and dying in a reshaping of the economy that is more profound than a mere financial crisis and more fundamental even than a recession or depression. We are undergoing a millennial transformation from the industrial, mass economy to what comes next. Disruption and destruction are inevitable."<sup>129</sup>

<sup>123</sup> Peter Osnos, "Will Google Save the News?" *The Daily Beast*, Feb. 3, 2009. <http://www.thedailybeast.com/blogs-and-stories/2009-02-03/will-google-save-the-news/>; Adam Lashinsky, "Google News CEO Eric Schmidt Wishes He Could Rescue Newspapers," *Fortune*, Jan. 7, 2009.

<sup>124</sup> See, for example, "AP Board announces initiative to protect industry's content; Further Rate Reductions and New 'Limited' Service Respond to Member Needs," [http://www.ap.org/pages/about/pressreleases/pr\\_040609a.html](http://www.ap.org/pages/about/pressreleases/pr_040609a.html). The press release describes the initiative as one "to protect news content from misappropriation online." For Google's response, see "Some questions related to Google News and the Associated Press," <http://googlepublicpolicy.blogspot.com/2009/04/some-questions-related-to-google-news.html>, April 7, 2009. They note that Google drives traffic and provides advertising in support of all business models. See also Saul Hansell, "The A.P.'s Real Enemies Are Its Customers," *New York Times*, April 7, 2009; Alan Mutter, "Publishers Zero In on Charging for Online News," *Confessions of a Newsosaur*. <http://newsosaur.blogspot.com/2009/04/publishers-zero-in-on-charging-for.html>.

<sup>125</sup> "AP Board Announces Initiative to Protect Industry's Content," AP press release, April 6, 2009.

<sup>126</sup> Saul Hansell, "The A.P.'s Real Enemies Are Its Customers," *New York Times*, April 7, 2009.

<sup>127</sup> Kara Swisher, "It's Actually About Figuring Out How to Sell the Sizzle and Not the Steak, Dean," *AllThingsD*, April 7, 2009. <http://kara.allthingsd.com/20090407/its-actually-about-selling-the-sizzle-and-not-the-steak-dean/>

<sup>128</sup> Staci D. Kramer. "Interview: Dean Singleton, AP Chairman: Setting 'The Rules Of Engagement,'" *Paid Content*, April 6, 2009. <http://www.paidcontent.org/entry/419-interview-dean-singleton-chairman-ap-ceo-medianews-setting-the-rules-of/>

<sup>129</sup> Jeff Jarvis, "My Testimony to Sen. Kerry," *Buzzmachine*, April 21, 2009. <http://www.buzzmachine.com/2009/04/21/my-testimony-to-sen-kerry/>

For Internet icon Clay Shirky, this disruption and destruction are revolutionary. “That is what real revolutions are like,” he writes. “The old stuff gets broken faster than the new stuff is put in its place.”<sup>130</sup> Both Shirky and Jarvis put their faith in the Internet marketplace as a panacea that will fill the vacuum when newspapers disappear. There is some truth to this proposition. But it does not fully reckon with the financial and institutional support system that is necessary for robust journalistic production and remains absent from the economics of Internet news for at least the foreseeable future. While rejecting most forms of government involvement, Jarvis does acknowledge a role for public policy and includes universal broadband as part of a broader journalism strategy. Other policies Jarvis recommends include government transparency, media literacy in schools, and tax advantages designed to foster innovation.

Shirky also promotes innovation and experimentation but seems more convinced that it happen naturally (though some may require “sponsorships or grants or endowments”). “For the next few decades, journalism will be made up of overlapping special cases,” he writes. “Many of these models will rely on amateurs as researchers and writers. Many of these models will rely on sponsorship or grants or endowments instead of revenues. Many of these models will rely on excitable 14-year-olds distributing the results. Many of these models will fail. No one experiment is going to replace what we are now losing with the demise of news on paper, but over time, the collection of new experiments that do work might give us the journalism we need.” Even if we share Shirky’s assumption that something will organically emerge, questions remain as to how long that process will take and what will happen to the state of journalism in the meantime.

### Lowering the Cost of Journalism

Shirky, Jarvis and others highlight the fact that we need to look at alternatives beyond just throwing money at the problem. While the rise of the Internet has often been blamed for many of the current struggles in the news industry, the same aspects of the Web that have undercut the traditional newspaper business have allowed a new wave of newsgathering and reporting operations to emerge. As noted above, the growth of personal, issue, and community blogs has dramatically changed the information ecosystem. The people who were once traditional sources for the news — academics, analysts, politicians — now speak directly to people on blogs and social networks. As access to the means of publishing expands, new voices and new outlets are becoming important players in the national political discourse.

The dwindling cost of distribution is at the root of many of the nonprofit and for-profit models discussed in this paper. Yochai Benkler, author of *The Wealth of Networks*, points out that in addition to enabling new institutional models like nonprofit news and investigative journalism centers, one of the most profound ways the Internet is reshaping the Web is by facilitating the connection of individuals in networks. Benkler writes in *The New Republic*: “Less prominent than the large collaboration platforms like *Daily Kos*, individuals play an important role in this new information ecosystem.” Beyond opening up our national political discourse to a new class of academic experts who can weigh in on important debates in unprecedented ways, the Internet also opens up political debates to individuals “who by happenstance [are] at the right place at the right time — like the person who made the video of John McCain singing ‘Bomb Iran,’ or the people who are increasingly harnessed by forward looking organizations, like the BBC or now CNN iReport, to share their stories, images, and videos.”<sup>131</sup> Benkler argues that we should not look to foundation or government funding that would simply prop up “older establishments that still depend on much higher ratios of organizational, financial, and physical capital,” but should instead seek out new funding streams that leverage the “lighter, networked models” the Internet makes possible.

One of the most interesting outgrowths of the Internet’s ability to lower the barrier to entry has been new forms of “citizen journalism” and “pro-am” (professional amateur) reporting efforts that combine paid editors and novice reporters. A prime example of this trend was the “OffTheBus” project sponsored by *The Huffington Post* and Jay Rosen’s NewAssignment.net during the 2008 election. OffTheBus engaged 12,000 people in a

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<sup>130</sup> Clay Shirky, “Newspapers and Thinking the Unthinkable,” March 13, 2009. <http://www.shirky.com/weblog/2009/03/newspapers-and-thinking-the-unthinkable/>

<sup>131</sup> Yochai Benkler, “A New Era of Corruption?” *The New Republic*, March 4, 2009. Sometimes referred to “user-generated content,” a number of variations on this theme have been attempted over the past decade. The public and civic journalism movements also struck similar themes. More recently, “crowd sourcing” has emerged as a proposed solution to newsgathering.

collaborative journalism effort designed to tell the local campaign stories that mainstream media missed. With a small editorial team of Web-savvy organizers, OffTheBus managed a variety of reporting projects, including distributed research projects like a 227-person-led investigation into the role of “superdelegates” in selecting the Democratic nominee. Amanda Michel, the project’s organizer, says that OffTheBus democratizes news and information and bolsters the democratic role of media. She acknowledges that this model is insufficient to provide our communities with all the news and reporting they need, but she argues, “If taken seriously and used properly, this pro-am model has the potential to radically extend the reach and effectiveness of professional journalism.” Noting that more than 5 million people read OffTheBus in October 2008 alone, even though the budget for 16 months of nationwide collaborative journalism was just \$250,000, Michel sees an opportunity for these models to forge a “new social contract between the press and the public.”<sup>132</sup>

Whereas many new policies focus on raising money to support the future of journalism, it is vital to also support efforts to lower the costs and barriers to entry for new people and voices. While the Internet facilitates publishing, there is still need for better tools to help journalists, citizens and experts in producing, organizing and sharing the news. One model for this might be JSeed, “a project aimed at developing new digital tools for reporting local news.”<sup>133</sup> Chip Kaye, the developer behind JSeed, wants to “build tools that can further enable and energize local news reporting.” He is seeking to bring the Web’s best tools, like feeds, blogging platforms, rich media management, social networking and real-time updates, into one central hub, a Web site designed specifically for local reporting. Another example of this sort of endeavor is the Banyan Project being developed by Pulitzer Prize-winner Tom Stites. The project seeks to “to revitalize journalism and help mend our frayed democracy by serving a significant segment of the huge population of less-than-affluent Americans” in part by equipping “reader/users with bottom-up Web tools that enable them to organize in pursuit of their interests as well as to participate in Banyan journalism by contributing many forms of information and feedback.”<sup>134</sup> Tools such as JSeed and the Banyan Project could help both traditional media outlets and new citizen journalism projects, allowing these entities to invest in newsgathering rather than overhead.

## Public Subsidies and Policy Interventions

While we explore new economic models for journalism, we must also examine what role government can play in supporting this vital democratic institution. The policy decisions we make during the next few years will determine whether we prop up failing economic models or invest in the newsgathering we need; whether we keep reporters on the beat or give more handouts to the largest conglomerates. From the establishment of the U.S. Postal Service, which included subsidies for mailing newspapers, to the founding of the Federal Communications Commission in 1934, to the 1967 Public Broadcasting Act and the 1996 Telecommunication Act, the media have been fundamentally shaped by public policy. But too often, journalists, academics, activists and others who care about quality journalism have been left out of the policymaking process.

Robert W. McChesney and John Nichols, two of the co-founders of Free Press, say journalism is so important that it should be considered no less a public policy priority than national security or education:

Only a nihilist would consider it sufficient to rely on profit-seeking commercial interests or philanthropy to educate our youth or defend the nation from attack. ... Just as there came a moment when policy-makers recognized the necessity of investing tax dollars to create a public education system to teach our children, so a moment has arrived at which we must recognize the need to invest tax dollars to create and maintain news gathering, reporting and writing with the purpose of informing all our citizens.<sup>135</sup>

When it comes to policy, some of the best options may not come from creating brand new institutions. In this section, we’ll discuss how changes — some more dramatic than others — in bankruptcy laws, tax

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<sup>132</sup> Amanda Michel, “Get Off The Bus,” *Columbia Journalism Review*, March/April 2009.

<sup>133</sup> Chip Kaye, “jseed overview,” [jseed.org](http://jseed.org).

<sup>134</sup> Tom Stites, The Banyan Project, <http://www.banyanproject.com>

<sup>135</sup> Robert W. McChesney and John Nichols, “The Death and Life of Great American Newspapers,” *The Nation*, April 6, 2009.

policies, federal regulations and other subsidies may help nurture quality journalism, bolster local and diverse ownership, and fund new journalism outlets.

### International Subsidy Models

International models provide some intriguing examples of alternative structures for journalism, in part because they have been less beholden to American-style market fundamentalism. Whereas the American view encourages a libertarian rendering of First Amendment protections, many international media policies have been more geared toward proactive government engagement to ensure diverse media.<sup>136</sup> The results offer some interesting lessons that are worth exploring in more detail, understanding full well that they may not map perfectly onto the American news ecosystem.<sup>137</sup>

When Sweden faced a newspaper crisis 30 years ago, the government taxed newspaper ads to create revenue for a fund that was administered by an independent agency to support struggling newspapers. The government introduced press subsidies to broaden the bounds of news discourse by supporting smaller newspapers and staving off the increasing number of newspaper bankruptcies. Distributed by an administrative governmental body known as the "Press Subsidies Council," money is automatically calculated according to circulation and revenue and then allocated to newspapers other than the dominant paper in a particular municipality or region.<sup>138</sup> Based on the assumption that a plurality of voices is essential for a healthy democracy, such government intervention initially caused some controversy for making papers dependent on the state, but this relationship is now largely accepted in Sweden. These subsidies have been most successful in preventing one newspaper towns by helping smaller provincial newspapers, although they account for only about 3 percent of papers' total revenue. Swedish newspapers are also financially supported by reduced taxes and direct distribution subsidies.<sup>139</sup>

France is considering a similar program to Sweden's right now. But the idea that has received the most press attention is France's plan to give every 18-year-old a one-year subscription to one of the country's major newspapers. French President Nicolas Sarkozy has also called for all high school students to receive free subscriptions to newspapers. Asking for a \$780 million bailout package for France's ailing newspaper industry, Sarkozy asserted that it is the state's responsibility to provide for a free and independent press. More than encouraging young people to learn the value of the press and to continue to subscribe to newspapers in the future, the government also implemented a nine-fold increase in the state's support for newspaper deliveries and doubled its annual print advertising outlay. Coming on the heels of a three-month study on how to remedy the ailing industry, Sarkozy announced that the state would increase its annual support for newspaper and magazine deliveries to \$90 million from \$10.5 million, spend an additional \$26.5 million more per year for its advertisements in print publications, and suspend some publication fees.<sup>140</sup>

<sup>136</sup> For general discussion of international models, see Rodney Benson, "Futures of the News: International Considerations and Further Reflections," in Natalie Fenton, ed., *New Media, Old News*, (London: Sage), forthcoming Fall 2009.

<sup>137</sup> Our analysis focuses primarily on Western and Northern European models, but other interesting models worth closer attention range from the citizen journalism of South Korea's OhmyNews to Venezuela's cooperatively run community radio stations.

<sup>138</sup> This system was designed by Swedish professor Karl Erik Gustafsson. Bree Nordenson reported on this and many other alternative models of journalism in her carefully researched article "The Uncle Same Solution," *Columbia Journalism Review*, Sept./Oct. 2007.

<sup>139</sup> In 2006, a total of SEK 527 million (roughly \$65.4 million) was earmarked for newspapers with a maximum circulation share of 30 percent in their markets. See European Journalism Centre, "Media Landscape – Sweden." [http://www.ejc.net/media\\_landscape/article/sweden/](http://www.ejc.net/media_landscape/article/sweden/); BBC News, "The Press in Sweden," March 23, 2004. <http://news.bbc.co.uk/2/hi/europe/3553279.stm>; See also: the Swedish Institute, "Swedish Mass Media," [http://www.sweden.se/templates/cs/FactSheet\\_\\_\\_15670.aspx](http://www.sweden.se/templates/cs/FactSheet___15670.aspx). We thank Kamilla Kovacs for providing many of these citations. For academic research on the Swedish model, see Paul Murschetz, "State Support for the Daily Press in Europe: Austria, France, Norway and Sweden Compared," *European Journal of Communication* Vol. 13(3): 291–313, 1998; Stig Hadenius and Lennart Weibull, "The Swedish Newspaper System in the Late 1990s: Tradition and Transition," *Nordicom Review* 1, 1999.

<sup>140</sup> Laurent Pirot, "Sarkozy Offers New Help for French Print Media," *Associated Press*. See also *On the Media*, <http://www.onthemedial.org/transcripts/2009/01/30/05>

The French model has yet to take hold in other parts of Europe, but many countries face similar media crises. For example, British newspapers are grappling with the same problems; there's an ongoing debate in Britain over nonprofit models, other alternatives and more aggressive government intervention.<sup>141</sup>

### Prepackaged Bankruptcies

In the past year, some of the nation's venerable journalism brands have found themselves where they least expected to be: in bankruptcy court. The parent companies of the *Los Angeles Times*, *Chicago Tribune*, *Chicago Sun-Times*, *Philadelphia Inquirer* and *Minneapolis Star Tribune* are all bankrupt, and other papers are either already alongside them or headed there soon.<sup>142</sup> Some companies will re-emerge from bankruptcy, but it's almost certain that some properties will be sold off or shut down. John Soloski, co-author of *Trading Stock: Journalism and the Publicly Traded Newspaper Company*, is hopeful about the future of newspapers, even though his views on the best scenario that can lead the industry out of its crisis may be hard for many to hear. Soloski says that having more newspapers declare bankruptcy can be good for the industry because it will force more local ownership, as companies will either have to reorganize or sell off parts of their holdings. That will give local investors an opportunity to buy papers at reasonable rates, an opportunity that did not exist before this crisis.<sup>143</sup> It may seem counterintuitive, but bankruptcy could actually be an opportunity in disguise for failing newspapers, if handled correctly.

One way of providing a soft landing that may benefit both tottering media giants and local communities is "prepackaged bankruptcies," or "prepacks." While prepacks have been around for more than 20 years, the idea drew significant attention during the debates over the future of the American auto industry beginning in late 2008. Prepacks allow a company to negotiate and vote on a reorganization plan before declaring bankruptcy, thus reducing costs and the amount of time spent in court. With regard to the crisis in journalism, prepackaged bankruptcies could provide incentives for media companies to restructure their newsrooms as L3Cs, 501(c)(3)s or other models that would emphasize public service and quality journalism. Prepackaged bankruptcies are best suited for companies whose business is still viable but that are drowning in debt. For the many newspapers that are still profitable but are shackled to over-leveraged media conglomerates, prepacks could be a useful tool in providing debt relief or perhaps even forcing the parent company to divest itself of otherwise healthy individual newspapers. For the first 120 days after declaring bankruptcy, the debtor has the exclusive right to propose reorganization, so the question remains: How to induce newspaper owners to do the right thing by selling their assets to nonprofits and other local owners who are more concerned about the public service aspect of journalism?

Bankruptcy law currently tends to privilege incumbent owners and creditors over workers and the public. If existing laws could be tweaked to build in protections — for example, to mandate pre-existing labor agreements and protect workers' pensions — then there is a chance a newspaper bankruptcy could benefit all of the key actors, especially if a prerequisite is providing for a "social good." Other options are providing tax benefits, such as relief from long-term capital gains to businesses that sell their assets to nonprofits. These benefits could be combined with guaranteed loans to nonprofits or with giving nonprofits "bidding credits" for auctions of bankrupt newspapers. Ultimately, managed bankruptcies could be a path toward giving ownership back to the local communities these newspapers are supposed to serve. But first, bankruptcy laws must be changed to reflect the common sense that greater public benefit comes from saving newsrooms rather than dismantling them.

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<sup>141</sup> John McDonnell, "Early Day Motion in Parliament on Support for Local Journalism," Feb. 26, 2009, <http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=37995&SESSION=899>; "National Union of Journalists' Anti-Cuts Campaign," <http://www.nuj.org.uk/innerPagenuj.html?docid=1035>; Roy Greenslade, "Forget the Tories, Let's Find a New Business Model to Save Local Newspapers," *Guardian*, March 27, 2009; Matthew Taylor's blog, "Arts New Deal Needs a Sharper Focus," March 25, 2009, <http://www.matthewtaylorblog.com/politics/arts-new-deal-needs-a-sharper-focus/>; Polly Toynbee, "This Is an Emergency. Act Now, or Local News Will Die," *Guardian*, March 24, 2009.

<sup>142</sup> Greg Bensinger, "San Francisco May Be Largest City to Lose Main Paper," *Bloomberg*, Feb. 25, 2009.

<sup>143</sup> Soloski was interviewed by Joseph Torres of Free Press in March 2009.



## Tax Certificates and Credits

Tax incentives are another possible way to encourage the sale of media properties to new local, diverse or nonprofit owners. Reinstating the so-called minority media tax certificate program would be a good start. The program, which was eliminated in 1995 as part of Congress' assault on affirmative action policies, gave tax benefits to companies that sold media properties to people of color. In 1978, when the tax credit was created by the Federal Communications Commission, people of color held just 40 broadcast licenses. In the 17 years the tax credit was in place, that number increased to 330. Since 1995, however, that number has decreased precipitously.<sup>144</sup>

Perhaps this idea could be restored, expanded and used to promote more diverse, independent, local ownership of media outlets, including newspapers, as well as the sales of radio and TV stations for which the credit was originally designed. Restoring and expanding the tax certificate could create incentives for the sale of local media to diverse or local investors, who are more likely to be satisfied with lower profit margins because of their deeper ties to the community. And it would give these smaller players an important advantage in acquiring capital and making deals for properties that would otherwise likely be sold off to existing conglomerates. Importantly, restoring the tax certificate program would also open the door to new owners — especially people of color — who have largely been shut out of media ownership and are vastly under-represented.

There is currently no legislation under consideration that would reinstate the tax certificate. However, groups like the Minority Media and Telecommunications Council, the National Association of Black Owned Broadcasters, and Free Press are working with the Federal Communications Commission and Congress to promote the re-establishment of the minority media tax certificate.<sup>145</sup> While there are legal obstacles to basing such a program exclusively on race, the FCC has considered "initiatives designed to increase participation in the broadcasting industry by new entrants and small businesses, including minority- and women-owned businesses."<sup>146</sup>

Another set of proposals would put indirect subsidies in the hands of consumers. Economist Dean Baker has proposed that the government implement a new charitable giving structure called an "Artistic Freedom Voucher," which would "allow each individual taxpayer to contribute a refundable tax credit of approximately \$100 to a creative worker of their choice, or to an intermediary who passes funds along to creative workers."<sup>147</sup> This would be done via a check box on a yearly tax form. McChesney and Nichols have drawn from this proposal to advocate that taxpayers receive \$200 in annual tax credits to spend on daily newspapers, as long as the newspapers publish at least five times per week and maintain a substantial news hole of at least 24 broad pages each day with less than 50 percent advertising.<sup>148</sup> Another proposal would allow people to write off their subscriptions to newspapers and magazines as a tax deduction, as they do with their college tuition.

## Postal and Print Subsidies

The original media policy was postal subsidies for newspapers and periodicals — though the early debates were over whether these important instruments of democracy should be heavily subsidized or mailed for free. Over the years, rates have increased. And in 2007, a severe hike endangered the survival of many small and independent periodicals focused on political opinion and ideas. Despite the worsening economy, another postal rate hike is scheduled for May 2009.<sup>149</sup> Relief from the new rates — which would cost the government a relatively small amount in the tens of millions — would help support serious journalism and create a laboratory for new ideas. McChesney and Nichols, judging the cost relatively insignificant compared to the subsidies enjoyed by corporate media outlets, suggest eliminating postal rates for periodicals that garner less

<sup>144</sup> Andrea Adelson, "Minority Voice Fading for Broadcast Owners," *New York Times*, May 19, 1997.

<sup>145</sup> Ira Teinowitz, "Minority Group Presses Media Agenda," *TV Week*, Jan. 21, 2009. See also the Free Press reports *Off the Dial* and *Out of the Picture*.

<sup>146</sup> See Free Press, "Minority Media Ownership Drops as FCC Considers Harmful New Rules," Nov. 27, 2007, <http://www.freepress.net/release/304>. See also the Minority Media and Telecommunications Council Web site: <http://www.mmtconline.org/>

<sup>147</sup> Dean Baker, "The Artistic Freedom Voucher: Internet Age Alternative to Copyrights," Center for Economic and Policy Research, November 2003.

<sup>148</sup> McChesney and Nichols, *ibid*

<sup>149</sup> Jennifer Saba, "Postal Hike to Favor Direct Mailers, Disadvantage Newspapers," *Editor & Publisher*, March 06, 2009.

than 20 percent of their revenues from advertising. “Today the federal government doles out tens of billions of dollars in direct and indirect subsidies,” they write, “including free and essentially permanent monopoly broadcast licenses, monopoly cable and satellite privileges, copyright protection and postal subsidies.”<sup>150</sup>

Another huge expense for newspapers and magazines is printing costs. Rep. Mark Cohen of Philadelphia has suggested that the only “content-neutral” way to support newspapers and protect quality journalism is to subsidize newsprint. Allocating any substantial public subsidies would entail a political fight. Barring a second significant stimulus package, some of the more ambitious plans for direct public subsidies may not clear the substantial legislative hurdles, but more modest short-term measures may help keep important independent news sources alive.

### Direct Government Stimulus

While the public appetite for major bailouts of the media is unknown, several ambitious proposals have been put forward to prop up insolvent news organizations during the current recession. For example, McChesney and Nichols call for an emergency stimulus for the next three years to buy time to transition to other models. They also advocate for directly subsidizing high school and college newspapers.<sup>151</sup> Mark Cooper has also proposed such a fund, though he explicitly rejects the notion of helping existing newspapers.<sup>152</sup>

The University of Pennsylvania’s C. Edwin Baker is calling for newspaper journalists’ salaries to be covered by government-guaranteed subsidies.<sup>153</sup> He argues that quality reporting and investigative journalism are more valuable to the country than they are to advertisers. The fact that news organizations can rarely monetize the most important aspects of the news is not a readership problem, he says, it is a revenue problem. With public interest in the news arguably at an all-time high, Baker observes that the real problem with the decimation of the journalists employed by the media is how it represents the inability of media companies to pay journalists an amount that even approaches the real value of their efforts for the community.

Baker suggests that the government help support journalists by offering companies a tax credit for half of newspaper journalists’ salaries (up to \$45,000). His goal is to reverse the incentive for newspapers to lay off journalists and instead to encourage a new wave of investment in quality reporting. Baker estimates that for the 48,000 journalists now employed by the nation’s newspapers, who are paid on average slightly less than \$50,000 a year, this tax credit would cost about \$1.25 billion. For Baker, such a tax credit would represent a recommitment to the kind of financial investment the country’s founders made when they recognized the vital role of the Fourth Estate in a democratic society, yet it would cost just “a fraction of the value in today’s dollars per person that the country provided in the form of a postal subsidy a hundred years ago.”<sup>154</sup>

Despite journalists’ well-known discomfort with government involvement in media, many would welcome the assistance. Rosa Brooks, a recently departed *Los Angeles Times* columnist, urged the government to subsidize journalism:

Years of foolish policies have left us with a choice: We can bail out journalism, using tax dollars and granting licenses in ways that encourage robust and independent reporting and commentary, or we can watch, wringing our hands, as more and more top journalists are laid off or bail out, leaving us with nothing in our newspapers but ads, entertainment features and crossword puzzles.<sup>155</sup>

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<sup>150</sup> McChesney and Nichols, *ibid.*

<sup>151</sup> *Ibid.*

<sup>152</sup> Mark Cooper, “The Future of Journalism Is Not in the Past,” April, 2009.

<sup>153</sup> C. Edwin Baker, “Shoptalk: Where Credit is Due,” *Editor & Publisher*, March 1, 2009.

<sup>154</sup> C. Edwin Baker, Testimony before the House Judiciary Committee, April 21, 2009.

<sup>155</sup> Rosa Brooks, “Bail Out Journalism,” *Los Angeles Times*, April 9, 2009.

CHAPTER 3

**TOWARD A NATIONAL  
JOURNALISM STRATEGY**



## STRATEGIES AND SOLUTIONS FOR SAVING THE NEWS

What stands out from this inventory of potential alternatives for journalism is that the dominant U.S. model of the 20th century — advertising-subsidized commercial journalism — is not the only available option for providing the news that democratic societies require. What is also suggested from surveying the models above is that without government intervention, relatively small, unevenly distributed experiments will likely rise and fall across the country in haphazard fashion. Part of this process is necessary and should be applauded to the extent that it gives rise to quality journalism. But there is much that the government can do to facilitate the transition and help make sure there are reporters on the beat, while also setting aside a space for longer-term efforts to nurture a free and robust press. In other words, as much as the “let a hundred flowers bloom” approach seems warranted, these experiments require nourishment. With targeted government intervention, we can help bring many to fruition. Indeed, with the right policies, we can begin laying the groundwork for a 21st-century American press system.

The central task is to manage the transition in a way that permits a soft landing for the key asset for the production of news in a democracy — a large work force of journalists who can make a living writing the news. This transition will have to be agnostic to technology and recognize the disruptive and creative genius of the Internet. It will have to account for the changing norms in journalism and the changing identities of journalists. And it will have to find new business models that can adapt to the loss of print advertising revenues. This situation does not call for a bailout, but a far-reaching national journalism strategy to save the news.

The national journalism strategy must be aggressive but carefully planned, bold but targeted. And it must not be guided by profit-seeking or nostalgia, but rather by the core principles introduced at the start of this discussion:

- **PROTECT THE FIRST AMENDMENT.** Freedom of speech and freedom of the press are essential to a free society and a functioning democracy.
- **PRODUCE QUALITY COVERAGE.** To self-govern in a democratic society, the public needs in-depth reporting on local issues as well as national and international affairs that is accurate, credible and verifiable. Journalism should be animated by a multitude of voices and viewpoints.
- **PROVIDE ADVERSARIAL PERSPECTIVES.** Reporting should hold the powerful accountable by scrutinizing the actions of government and corporations. Journalism should foster genuine debate about important issues.
- **PROMOTE PUBLIC ACCOUNTABILITY.** Newsrooms should serve the public interest, not private or government aims, and should be treated as a public service, not a commodity. Journalism should be responsive to the needs of changing communities.
- **PRIORITIZE INNOVATION.** Journalists should utilize new tools and technology to report and deliver the news. The public needs journalism that crosses traditional boundaries and is accessible to the broadest range of people across platforms.

In crafting such a strategy, it is important to remember that news has rarely paid for itself. News has *always* been subsidized. During the 20th century, the model that happened to take root was one in which advertising subsidized news operations. It worked because of the coincidence of printing technologies and a market structure that resulted in monopoly daily newspapers in most American towns and cities. That model is no longer working. But just because advertising no longer supports journalism does not mean that we no longer require news. We still require journalism — perhaps now more than ever. But we must first develop new means for subsidizing the press through new private revenue models or public interventions to restructure or supplement market forces. And it is difficult to imagine how this can occur without government getting involved in some capacity.

The need for policy often seems counterintuitive to many Americans who assume their media system naturally flows from the “free market.” Yet policy has always shaped our media system. During his celebrated visit to the United States in the 1830s, Alexis de Tocqueville was impressed to find an array of news and diverse sources of information deep in the American hinterlands. In fact, he was marveling at the direct result of enlightened public policy: postal subsidies for the mail, which was at that time primarily a news delivery system.<sup>156</sup> Today, Americans need to be reminded that there is a legitimate and necessary role for the state in guaranteeing a free and robust press. Government can simultaneously protect press freedom from censorship *and* promote policies that maximize speech of all kinds.

Our present moment is a critical juncture in American media and a turning point for modern journalism. We have the unique opportunity at this time to re-imagine the structures and policies needed to support the quality news and information we require to hold government and corporations accountable, to understand the world around us, and to participate in our democracy. Our concern is about how to support newsrooms and newsgathering, not a specific platform or method of distribution. We will need new policies that foster innovation and provide ongoing support for emerging news models. This approach avoids rehashing the well-worn debate about the future of journalism that too often devolves into two extreme positions: walling off content versus giving everything away for free; stubbornly clinging to newspapers versus believing blindly in the Internet. It is possible to stake out a middle path, one that embraces new digital technologies while also sustaining vital, professional journalism.

As we shift to a public service model of the press, we must prepare ourselves for a period of trial and error. We need to explore how the federal government can best support the future of investigative journalism, beat reporting, and quality news in America. This is not about newspapers, it is about newsrooms. It is not about protecting old institutions, it is about serving local communities. We understand that the future of this industry will likely be made up of a diverse collection of models and recognize the need for experimentation and innovation now and in the future. The question is, then, what current policies could support greater experimentation with innovative models of journalism?

Saving our vital news media and implementing a national journalism strategy for this transitional moment will require both short- and long-term solutions. Based on our analysis above, we have identified five models with the most promise that should be the top priorities for policymakers:

- **NEW OWNERSHIP STRUCTURES.** Encouraging the establishment of nonprofit and low-profit news organizations through tax exempt (“501(c)(3)”) and low-profit limited liability company (“L3C”) models.
- **INCENTIVES FOR DIVESTITURE.** Creating tax incentives and revising bankruptcy laws to encourage local, diverse, nonprofit, low-profit and employee ownership.
- **JOURNALISM JOBS PROGRAM.** Funding training and retraining for novice and veteran journalists in multimedia and investigative reporting.
- **R&D FUND FOR JOURNALISTIC INNOVATION.** Investing in innovative projects and experimenting to identify and nurture new models.

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<sup>156</sup>Alexis de Tocqueville, *Democracy in America*, Anchor Books. Garden City, NY, 1969.

- **NEW PUBLIC MEDIA.** Transforming public broadcasting into a world-class noncommercial news operation utilizing new technology and focused on community service.

We make no claims that these models, alone or collectively, will automatically provide a panacea to the crisis in journalism. However, we believe these alternatives are worth further consideration, study and action. All of these models, to varying degrees, attempt to circumvent market failure with structural alternatives that seek to democratize media. Furthermore, they all could be accomplished via specific policy interventions and are politically viable, though formidable challenges are to be expected. Most important, we hope that by highlighting these options, we can begin a truly public conversation about what the future of journalism should look like and point policymakers and regulators toward an agenda that will save the news and serve the public good.

### Short-Term Strategies

In the short term, we must decide what is needed to shore up news organizations and keep reporters on the job. Although many newspapers are deeply in debt, average newspaper profits are still 10 to 15 percent.<sup>157</sup> While newspapers are not dead yet and there is still money to be made, we also must realize that given current trends, in a decade — if not sooner — most people will not be reading newspapers in print. With news and advertising decoupled, ad revenue can no longer be relied on to fund bureaus at City Hall or in Baghdad. Thus our efforts should be focused on salvaging and transitioning the essential elements of newspapers — namely, the investigative and local reporting operations — while eliminating the business and commercial pressures that brought about the current crisis. That's not to say new policies should be limited to just helping newspapers. After all, many of the same financial challenges also affect broadcasters and online news outlets. Regardless of medium, we must find ways for trained reporters to make a living doing good journalism.

We believe the best short-term strategies are measures to encourage new ownership structures as well as refinements to the bankruptcy and tax laws that would enable employees, community groups or local investors to take over failing news operations on favorable terms, keep journalists working their beats, and invest in the future of newsgathering. We also endorse the federal funding of a jobs program to train or retrain young and veteran journalists in multimedia and investigative reporting skills. These recommendations would require federal legislation and, in some cases, new IRS regulations. Ideally, policymakers would create a menu of choices that would encourage media companies — whether bankrupt or simply struggling — to sell off properties to local and diverse owners who pledge to operate them in the public interest under a new structure. As new business models emerge, policymakers would also help to provide a bridge that guarantees veteran watchdogs are still on the job and new generations of journalists are building the skills needed for new forms of journalism.

### New Ownership Structures

After surveying the options described in the previous chapter, it seems that the most effective means of salvaging struggling newsrooms is to create new ownership structures by applying the 501(c)(3) (nonprofit) and L3C (low-profit) models to news organizations. Under either of these models, news organizations could be set up to accept philanthropic donations (which, in the case of tax-exempt newspapers, would be deductible) or investments. And they could be owned, in whole or in part, by a wide range of socially motivated parties, including workers, foundations, community organizations and other civil society groups whose primary mission will be to provide a public good that benefits the collective welfare of the local community. As noted above, each of these models afford news organizations a number of benefits and protections not available to their commercial counterparts.

Specifically, the model proposed by Sen. Ben Cardin would offer tax benefits to philanthropic groups and individuals that donate to news organizations, while providing the news organizations themselves with the tax benefits enjoyed by all tax-exempt organizations. To transition to a tax-exempt newspaper will require federal

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<sup>157</sup> Nat Ives, "It's Not Newspapers in Peril; It's Their Owners," *Ad Age*, Feb. 23, 2009.

legislation changing current federal tax laws, which could take the form of a revamped version of the Cardin bill. It would revise Sections 501, 513 and 170 of the Internal Revenue Code, which, respectively, would allow newspapers to be considered as having an educational purpose and therefore qualify as nonprofits; would exempt qualifying newspapers from paying corporate taxes on their advertising revenue; and would allow donations to these newspapers to be considered tax-deductible charitable contributions.

The precise wording of the Cardin bill, in its current form, could exclude entire classes of newspapers.<sup>158</sup> For example, the fact it mandates that a qualifying newspaper contain “local, national, and international news stories of interest to the general public” seems to preclude smaller community papers and other news organizations. Most important, any bill along these lines should explicitly state that it does not pertain to just newspapers, but also news Web sites and other forms of media dedicated to journalism. However, removing these limitations only would require relatively simple alterations to the text, such as saying “news organizations” instead of “newspapers” and using an “or” instead of “and” before “international news.” For either model to become truly viable, nonprofit and low-profit news organizations also likely would need an exemption from provisions in the federal tax laws that prohibit both tax-exempt organizations (like the newspaper model proposed in the Cardin bill) and recipients of program-related investments (like an L3C news organization) from endorsing candidates for political office.

A related initiative is the move toward federal L3C legislation. This initiative could be treated in separate legislation or as part of a larger bill. A federal bill formally recognizing the L3C is probably unnecessary since, as noted earlier, news companies can organize as L3Cs in one of the states where L3Cs are legal. However, a related tax measure at the federal level would make it easier for foundations to make program-related investments in L3Cs. The Program-Related Investment Promotion Act, endorsed by L3C inventor Robert Lang, would accomplish this objective. The Council on Foundations also supports the federal legislation that would facilitate program-related investments in L3Cs.<sup>159</sup>

Other considerations could be written into the newsroom ownership language that would make a 501(c)(3)/L3C initiative an effective bill. For example, news organizations that chose to qualify for one of these ownership structures should also be obligated to demonstrate a five-year strategy for developing a significant Web and digital platform presence. They should also be contractually obligated to hold on to their property for a certain time period before selling, to avoid the establishment of shell companies. Efforts should also be made so these structures benefit ethnic and community media. Finally, news organizations should be required to set up local boards to evaluate how well they are serving the community. The PRI Promotion Act of 2009 would encourage this type of behavior, since it requires an annual report to the IRS specifying how an L3C is fulfilling its social purpose.<sup>160</sup> The first steps in any process to reform the federal tax laws would be hearings held by the tax-writing committees in both the House and the Senate. Ultimately, legislation reforming the IRS code would have to go through these committees.

### Incentives for Divestiture

Several major newspapers are already bankrupt, or looking to sell off or shutter properties to escape enormous debt. Absent some intervention in the market, there is a strong chance that these papers will find buyers that are less interested in journalism than they are in maximizing asset value in the short term. Instead of watching them fall into the hands of private equity firms or other consolidated conglomerates, we have an opportunity to build incentives for their transfer to owners more committed to public service and local communities. The idea is to create, via changes to the federal tax and bankruptcy laws, a number of targeted “sweeteners” that could be invoked — alone or in combination — when media properties are being put up for sale that would make new owners or ownership structures, like L3Cs, more attractive than traditional corporate ownership models. As mentioned earlier, federal laws would also have to be changed to protect worker contracts and pensions.

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<sup>158</sup> Zachary M. Seward, “Non-profit News Outlets Deserve a Tax Exemption for Ad Revenue,” *Nieman Journalism Lab*, March 26, 2009.

<sup>159</sup> For information on the L3C federal legislation movement and related topics, see <http://www.nonprofitlawblog.com/home/2009/03/l3c-developments-resources.html>

<sup>160</sup> According to Robert Lang, GuideStar, the nonprofit database and information clearinghouse, has agreed to publish these reports. Like existing limited liability companies, L3Cs would be governed by an operating agreement among their members, which could easily be drafted to mandate compliance with a community’s specific needs.

One option clearly worth pursuing here is the utilization of “prepackaged” bankruptcies, which we described above. This approach would allow interested parties to work out future ownership of the assets prior to actually going into court, which dramatically cuts down on costs. These cost-savings, combined with the legislative incentives described below, could make the package more attractive to the bankruptcy judge and ultimately enable public-interest-minded groups to take control of the paper. An advantage of this “soft-landing” approach is that it precludes very few of the options discussed earlier. For example, a failing local newspaper could be bought up by a cooperative of its employees through a prepackaged bankruptcy; turned into an L3C or 501(c)(3) news organization; accept money from public trusts, foundations and local entrepreneurs; and employ any number of creative online techniques to generate revenue — all while producing journalism and experimenting with new models of sustainability.

Newspaper owners might be more inclined to sell to socially motivated parties if the government offered certain subsidies or other incentives to facilitate the transactions. Perhaps the IRS could be induced to guarantee nonprofits a reduced buyout rate. In addition, government-guaranteed loans and bidding credits could be offered to nonprofits to help them purchase failing news organizations with the promise to convert them into locally owned and controlled multimedia newsrooms. Similarly, if the IRS granted tax relief from a long-term capital gains tax, tweaked the net operating loss rules, and offered other tax advantages to the newspaper seller, legacy owners of failing newsrooms may be incentivized to sell to nonprofits during the bankruptcy process. Substantive debt-relief would help placate creditors and investors to some degree.

These “sweeteners” should be combined with a minority media tax credit that would encourage the sale of news organizations to minorities, women, and other underrepresented groups. Restoring some version of the minority tax certificate will greatly increase minority and female ownership of news media outlets, which currently stand at an appallingly low number.<sup>161</sup> Congress would have to reinstate the policy, and the FCC would enforce it. But this is a policy that is already proven to increase the diversity of media ownership and never should have been dropped from the books.<sup>162</sup>

### Journalism Jobs Program

The final proposal for a short-term remedy to the journalism crisis is an attempt to support veteran, qualified reporters and simultaneously to engage young people in journalism. One of the biggest problems with the collapsing business model of print newspapers is the possibility that tens of thousands of highly trained and experienced reporters will dissipate into other sectors of the economy, and tens of thousands of talented young people will be dissuaded from becoming journalists in the first place.<sup>163</sup>

With the recent expansion of AmeriCorps’ existing domestic service program, now would be an opportune moment to include journalistic activities as part of its mission. “The Serve America Act,” which Congress approved in March, will dramatically increase service and paid volunteer jobs from 75,000 to 250,000 positions. The *New York Times* reports that full-time and part-time service volunteers would work for “new programs focused on special areas like strengthening schools, improving health care for low-income communities, boosting energy efficiency and cleaning up parks.” The AmeriCorps expansion — which will cost approximately \$6 billion over five years — also provides for a Social Innovation Fund to expand on proven initiatives while supplying seed funding for experimental programs. Volunteers would receive minimal living expenses and a modest educational stipend of \$5,350 after their year of service. There are also special fellowships for people 55 and older, as well as summer positions for middle- and high-school students.<sup>164</sup>

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<sup>161</sup> For a report on broadcasting numbers, see Derek Turner and Mark Cooper, “Out of the Picture 2007: Minority and Female TV Station Ownership in the United States,” Free Press, October 2007. <http://www.freepress.net/files/otp2007.pdf>

<sup>162</sup> See, for example, Kofi Asiedu Ofori and Mark Lloyd, “The Value of the Tax Certificate Policy,” *The Civil Rights Forum*, 1998, <http://www.vii.org/papers/taxcert.htm>

<sup>163</sup> Currently, journalism school enrollment is up. See Brian Stelter, “Digital Defeats Newsroom? J-Schools Boom Despite Crisis,” *New York Times*, April 19, 2009.

<sup>164</sup> “Expanding National Service,” *New York Times*, March 24, 2009; Craig Newmark, “The Serve America Act, a Really Big Deal,” *The Huffington Post*, April 23, 2009; “Senate Moves to Expand National Service Programs,” *New York Times*, March 27, 2009.

Building on Eric Klinenberg's idea, a small percentage of these AmeriCorps jobs could go to journalism positions, fellowships, or even to journalism projects to report on the new initiatives being created through this act. These also could provide a much-needed service if combined with or subsumed under university media literacy programs. A promising model has been implemented recently by a John S. and James L. Knight Foundation-backed initiative at Stony Brook University. The school has hired 50 laid-off journalists to undergo summer training with the goal of joining dozens of universities in the fall to teach "news literacy" to non-journalism majors.<sup>165</sup> A similar program could be established to hire journalists to teach media literacy and help launch journalistic endeavors at all levels of education. The media literacy program could be expanded to include many more universities through the creation of formal Department of Education grants that might be leveraged using foundation support.

There are other direct avenues for federal government programs to aid in job creation in this industry. The Department of Labor could design a program aimed at keeping reporters employed at existing news organizations or at new outlets. Such a job-creation program would stimulate the economy and offset unemployment payments that might otherwise go to out-of-work reporters. The structure and administration of such a program requires further study, but the basic cost-benefit analysis is promising. If the government were to subsidize 5,000 reporters at \$50,000 per year, the cost would be \$250 million annually, a relatively modest sum given the billions coming out of Washington. Drawing on Ed Baker's ideas for subsidizing journalists and from the New Deal-era Federal Writers Project, this injection of resources would serve as a bridge to help keep reporters on the beat in local communities as the industry transitions to new business models and new media forms.

### Long-Term Strategies

Although the short-term strategies outlined above may sustain local newsrooms for the time being, the long-term strategies must provide a safety net for our national media system as a whole. We propose a two-track strategy: The first track is a tech-friendly venture/innovation/experimentation fund, which follows a long tradition of government seeding new projects, from medical breakthroughs to the Internet itself. The second track is building a world-class public media system with a renewed focus on newsgathering and local community service.

### R & D Fund for Journalistic Innovation

"The only solution I have to offer is pluralism itself," writes New York University Professor Jay Rosen about the future of news. "Many funders, many paths, many players, and many news systems with different ideas about how to practice journalism for public good (and how to pay for it, along with who participates)."<sup>166</sup> To create the necessary institutional pluralism, and to provide for a future of text-based media read on electronic devices with multiple revenue streams and multiple platforms, we need to think about the new media marketplace as an incubator for innovation. We propose the creation of a government-seeded innovation fund for journalism — a taxpayer-supported venture capital firm that invests in new business models. As a starting point, we are proposing a \$50 million per year budget.

Such a fund is not without precedent. The Telecommunications Development Fund (TDF) was created by Section 714 of the 1996 Telecommunications Act to focus investment in small businesses that produce important public goods in the communications sector that were ignored by for-profit venture capital.<sup>167</sup> A private, non-governmental, venture capital firm, TDF was seeded with public funds and authorized to make investments with public service goals. TDF is governed by a board appointed by the FCC chairman. This model could be adopted for a journalism fund with provisions that the board would be made up of representatives from

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<sup>165</sup> "Knight Foundation Backs Plan to Hire 50 Laid-off Journo's to Teach 'News Literacy,'" *Editor & Publisher*, March 13, 2009.

<sup>166</sup> Jay Rosen, "Rosen's Flying Seminar in the Future of News," *Pressthink*, March 26, 2009. [http://journalism.nyu.edu/pubzone/weblogs/pressthink/2009/03/26/flying\\_seminar.html](http://journalism.nyu.edu/pubzone/weblogs/pressthink/2009/03/26/flying_seminar.html)

<sup>167</sup> S. Jenell Trigg, "Section 714 - The Telecommunications Development Fund: Making a Difference?" June 1, 2002, [http://www.civilrights.org/publications/reports/1996\\_telecommunications/section-714.html](http://www.civilrights.org/publications/reports/1996_telecommunications/section-714.html) (this chapter is part of a larger collection by the Civil Rights Forum on Communications Policy titled "The Success and Failure of the 1996 Telecommunications Act.").



industry, academic institutions, and public interest groups. A firewall would be set up between the board and the journalism initiatives they fund. Clearly, such an initiative would require an act of Congress to establish, though it's crucial that such legislation include provisions to shield the fund from any undue political influence. This new venture capital firm could be set up as a public-private partnership, with federal matching funds for foundation-supported projects.

Whereas many of the other strategies discussed here are aimed at transitioning legacy media into new sustainable forms, the new journalism fund should support forward-thinking endeavors that take advantage of new technologies. Resources should also be used to provide guaranteed loans to startup initiatives, such as Web-based community newsrooms and services, as well as projects that serve communities of color. The idea is to try to catalyze a wave of innovation in journalism 2.0 and to trigger market forces that will help move some of these nascent projects from concept to full-fledged operations.

### New Public Media

A true Fourth Estate should be neither dependent on the whims of the market nor subject to shifting political landscapes. Now is the moment to firmly establish a press that is autonomous, yet supported by public money and devoted to the public interest. We need to re-imagine our current public broadcasting system and rebuild it as new public media with an overarching commitment to newsgathering and local community service. This significantly reformed and repurposed national media system should include many already existing pieces: NPR, PBS, community radio, as well as those nonprofit entities not commonly associated with public broadcasting, like PEG television channels, Low Power FM radio stations, noncommercial publications, and community Web sites.

The United States is alone among democracies in how little it devotes to its public media system. Our proposal is based on the vision that these monies would directly support journalistic endeavors by being used to hire local reporters in specific communities. The money would also be used to streamline public media operations: developing new technology and archiving content across the system. In considering whether state-subsidized media is worth the effort, we should consider the popularity and quality of BBC News or the Canadian Broadcasting Corporation and compare these institutions to our increasingly degraded commercial media system. The BBC is unrivaled in the world as a source for international public service media. Research has shown the BBC demonstrating an independence that compares favorably with U.S. media and calls into question some common fears about government-subsidized media.<sup>168</sup>

The money needed to support this system over the long term could be raised by Congress creating and funding a public trust, or perhaps from a small tax placed on consumer electronics. Alternatively — and immediately — we could increase direct congressional appropriations for public media via the Corporation for Public Broadcasting. By tripling current congressional appropriations, the U.S. public media system could dramatically increase its capacity, reach, diversity and relevance. Given that Congress just passed a nearly *trillion-dollar* economic recovery package, devoting an additional \$1 billion to public media annually (which works out to less than 0.2 percent of the stimulus bill) no longer appears so outlandish. Other democracies outspend the United States by wide margins per capita on public media.<sup>169</sup> Nichols and McChesney write: "These investments have produced dramatically more detailed and incisive international reporting, as well as programming to serve young

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<sup>168</sup> Jay Blumler and Michael Gurevitch, "'Americanization' Reconsidered: U.K.-U.S. Campaign Communication Comparisons Across Time," in W.L. Bennett and R.M. Entman (eds.), *Mediated Politics*. Cambridge: Cambridge University Press, pp. 380-403, 2001. It should be noted that dramatically increasing support for public media would entail formidable political challenges, yet substantially increased funding for public media is nevertheless more feasible than creating an entirely new entity for supporting national and local journalism. It is often taken as an article of faith that such a model could never flourish in the United States, but it is important to note that a more robust public media system didn't emerge as it did in other nations only as a result of a vicious series of political campaigns led by U.S. broadcasters in the early 1930s and again in the postwar 1940s. See Robert McChesney, *Telecommunications, Mass Media & Democracy: The Battle for the Control of U.S. Broadcasting, 1928-1935*. New York: The Oxford University Press, 1993.

<sup>169</sup> Canada 16 times more; Germany 20 times more; Japan 43 times more; Britain 60 times more; Finland and Denmark 75 times more. Nichols & McChesney, *ibid*.



people, women, linguistic and ethnic minorities and regions that might otherwise be neglected by for-profit media.” They also note that the government spends several times the paltry \$420 million it spends annually on public media on Pentagon public relations.<sup>170</sup>

Challenging commonly held fears about subsidized media, recent academic research shows that news organizations receiving government subsidies are no less critical of government than those that aren’t subsidized, and the former tend to present a wider range of voices and viewpoints.<sup>171</sup> Indeed, there is accumulating evidence that, for example, a wide range of Western European publicly owned media and government-subsidized private media consistently produce journalism that is just as critical or more critical of powerful interests as the U.S. press.<sup>172</sup> Suggesting that the Swedish press was liberated to become more adversarial after public subsidies were introduced, Daniel Hallin, a specialist in comparative media systems at the University of California, San Diego, found “very strong evidence that press subsidies don’t lead journalists to be timid.”<sup>173</sup> A recent comparative analysis shows that public service television devotes more attention than the U.S. market model to public affairs and international news, which fosters greater knowledge in these areas, encourages higher levels of news consumption, and shrinks the knowledge gap between the advantaged and disadvantaged citizens.<sup>174</sup> Nonetheless, for this model to be successful, this public funding toward media should be both guaranteed over the long term and carefully shielded from political pressures.

To be clear, we are not advocating for a direct bailout of the commercial media system — a proposal reportedly being considered in Canada.<sup>175</sup> We are instead calling for the funding of an alternative media infrastructure, one that is insulated from the commercial pressures that brought us to our current crisis. Indeed, our media system has space for both commercial and noncommercial models; what is ideal is a *mixed* media system — one that restores balance between profit-making and democratic imperatives and is better able to withstand dramatic fluctuations in the market. Despite its flaws, we have enjoyed a successful, if grossly underfunded, public broadcasting system for decades. Furthermore, a wholly commercial system focused on advertising revenue optimization and profit maximization will not support the needs of a democratic society.

Our nation’s media policy historically has reflected the understanding that the market alone cannot provide for all of our communication needs. However, the window of opportunity to make these kinds of reforms will close quickly. For decades, Congress has tilted media policy to favor the biggest media corporations. Right now, we have a rare chance to encourage legislators instead to “put their thumb on the scale” and create truly public media.

## The Challenge Ahead

A national journalism strategy is needed precisely because the problems we face necessitate vast resources and long-term planning. The United States will have many crises to confront in the coming years, but the loss of viable journalism must rank high among them. This is a surmountable crisis, but saving journalism and shoring up democracy’s very foundations will require the right application of innovative technology, policy reform and public resources. There is not a perfect policy solution to solve this crisis. Rather, it will likely be a menu of policy options that together will help fill the vacuum left by the decline of commercial news. “You never want a serious crisis to go to waste,” White House Chief of Staff Rahm Emanuel once said. “It’s an opportunity to do things you

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<sup>170</sup> *Ibid.*

<sup>171</sup> Rodney Benson, “What Makes for a Critical Press: A Case Study of U.S. and French Immigration News Coverage,” *The International Journal of Press/Politics* (In Press); Rodney Benson and Daniel Hallin, “How States, Markets and Globalization Shape the News: The French and US National Press, 1965–97,” *European Journal of Communication* 22, 27, 2007.

<sup>172</sup> Rodney Benson, “Comparative News Media Systems,” *The Routledge Companion to News and Journalism Studies*, edited by Stuart Allan, forthcoming 2009; See generally, Daniel Hallin and Paolo Mancini, *Comparing Media Systems: Three Models of Media and Politics*, Cambridge, UK: Cambridge University Press, 2004.

<sup>173</sup> Bree Nordenson, “The Uncle Sam Solution: Can the Government Help the Press? Should it?” *Columbia Journalism Review*, September/October 2007.

<sup>174</sup> James Curran, Shanto Iyengar, Anker Brink Lund and Inka Salovaara-Moring, “Media System, Public Knowledge and Democracy,” *European Journal of Communication*, Vol. 24, No. 1, 5-26 (2009)

<sup>175</sup> *The Canadian Press*, “Feds Consider TV News Bailout,” April 8, 2009.

could not do before.”<sup>176</sup> This crisis is a golden opportunity for creating new alternatives. And if true public service journalism emerges from the wreckage, then indeed, there may be a silver lining.

It is becoming increasingly clear that enormous profits can no longer serve as the sole criterion for a healthy media system; focusing on short-term profits at the expense of long-term survival is not sustainable. Indeed, investments in newsgathering can pay off in the long run. Driving this point home, a University of Missouri study based on 10 years of financial data found that, over the long term, investments in newsgathering increase profits more than spending on circulation, advertising and other business operations do.<sup>177</sup> Newsrooms should be liberated from their absentee corporate owners and returned to the communities they purportedly serve. Although local ownership does not always ensure quality journalism, it does encourage local coverage and accountability.

Given recent closures and bankruptcies of major newspapers — and the ongoing struggles in radio and TV journalism — we cannot merely wait to see what organically emerges to replace the news. We must be proactive through public policy and public engagement. The depth of this crisis calls for something more than window dressing or incremental reforms. Unlike in previous eras, when media owners viewed any suggestion of structural reform with knee-jerk hostility, some are now more open-minded toward new models for sustaining local journalism. Media corporations need to recognize that news organizations can no longer serve merely as cash cows. Those that are unwilling to invest in quality journalism over the long term would be doing the public a service as well as protecting their own bottom line if they withdraw from the field in an orderly fashion without leaving a trail of hollowed out newsrooms in their wake.

The rate at which the newspaper industry is collapsing is staggering, even for those who have predicted this crisis for years. Further complicating this challenge is the historical predicament of multiple crises currently facing the United States, including the financial meltdown, the crumbling health care system and of thousands of troops in Iraq and Afghanistan. Journalism simply does not rank as high in the public consciousness. Combined with the traditional antagonism between the Fourth Estate and government, the risk of inaction is great. Nevertheless, given the scale of this problem — one that will only worsen over the coming weeks and months — we must start a national discussion about the nature of the crisis and the need for public policy solutions.

President Obama should use his bully pulpit to place this crisis squarely on the list of national priorities. The White House should convene a commission to revitalize the public media system, modeled on the Hutchins Commission of the 1940s and the Carnegie Commission in the 1960s. Congress needs to foster this debate by holding hearings that bring together the best minds in the country as well as engage the public to address this national crisis. Congress should also commission in-depth reports on the true state of the news business and call for possible solutions.<sup>178</sup> Ideally, the hearings would be followed quickly by legislation in Congress that amends tax and bankruptcy laws, funds innovative journalistic initiatives, and increases support for noncommercial media. The FCC and the Justice Department need to encourage media diversity and not further loosen media ownership limits. The FCC also needs to make sure the public can access quality journalism by developing a national plan for an open, ubiquitous and affordable broadband system.

We need to reframe the debate about journalism as one about an essential public good and a service that is vital for the future of democracy. The government is obligated to provide for a diversity of voices in our nation’s media system as well as ensure public access to all media. Among the broader public, journalists and ex-journalists, as well as journalism schools and scholars, have a special role to play in this area. They command a unique perspective on what is at stake and what is possible in terms of creating newsrooms for the 21st century.

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<sup>176</sup> David Leonhardt, “The Big Fix,” *New York Times Magazine*, Jan. 27, 2009.

<sup>177</sup> Shrihari Sridhar, Murali K. Mantrala, Prasad A. Naik, and Esther Thorson, “Uphill and Downhill: Locating Your Firm on a Profit Function,” *Journal of Marketing*, Vol. 71 (April), 2007, 26-44; Robert MacMillan, “Study Shows Newsroom Spending Raises Newspaper Profits,” *Reuters*, February 15, 2007. See also Tom Rosenstiel and Amy Mitchell, “The Impact of Investing in Newsroom Resources,” *Newspaper Research Journal*, Vol. 25, No. 1, Winter 2004.

<sup>178</sup> Similar hearings and reports were conducted in the 1940s around concerns about the rise of one-newspaper towns. For example, see Special Committee to Study the Problems of American Small Business, “Survival of a Free Competitive Press: The Small Newspaper, Democracy’s Grass Roots,” Senate Committee Print 17, Eightieth Congress, First session, 1947. See also, Pickard, *ibid*.

Journalism is a critical infrastructure. It is too precious for a democratic society simply to sit back and pray that the market will magically sustain it. The crisis in journalism is undeniably an economic issue, exacerbated by shifting revenue streams, new forms of content creation, and new methods of distribution. But it is also fundamentally a policy problem. While we explore new economic models for journalism, we must also examine what role government can play in supporting this indispensable institution. It is in large part policy decisions — and the political will to make the right ones — that will decide what is next for journalism. Unfortunately, there is no magic bullet. The crisis in journalism will undoubtedly require a menu of responses, not a one-size-fits-all solution. Driven by a growing media reform movement, a period of vigorous experimentation with bold new models is the best hope for the future of journalism, the lifeblood of democracy.